The MAGAZINE of WALL STREET

THE OUTLOOK

Belated Bucket Shop Action — Effect of "Recapture Clause" Decision on Railroad Financing—What About Tax-Free Bonds? — The Market Prospect

IN handing down a number of indictments at the request of New York City authorities, the Grand Jury has at last got around to some positive action in the so-called "bucket-shopping" cases of last summer. By this time the record has become so enormously voluminous, and the indications of political bias and prejudice on the part of various factors in the proceedings is so strong, that the public has largely lost interest in the whole undertaking. It is disposed to feel that the "bucket-shopping crusade," as it was grandiloquently called, has turned out a fizzle. Worst of all, continued disappointments in regard to the improvement and rectification of conditions in the financial district have tended more and more to give the impression that such fizzles are likely to be recurrent and permanent.

Truth to tell, there is no reason to believe that any important change has occurred in the conditions surrounding Stock Exchange speculation, since the attack upon the bucket-shopping community some months ago. At that time the abuses of speculation had become so "strong" that an effort to "clean up" the financial district was practically inevitable and was accordingly undertaken. It is not necessary to diminish the credit, whatever it was, that is due to those who undertook this campaign of improvement. They are entitled to full recognition for whatever they did in bringing about a more self-respecting and decent situation in the market. The point is that they either did not want, or else their energy did not last long enough, to continue this temporary cleansing of the speculative situation up to the point where they could provide against a recurrence of the evils. So we still have exactly the same conditions that originally produced the bucket-shopping developments which were finally arrested through tardy action on the part of the legal authorities, and there is no reason why the old evils should not recur again.

There was, for a time, a feeling of some anxiety and fear in speculative circles that, either at Albany or at Washington, there would be effort to bring about "Stock Exchange reform" through legislation designed for that purpose. But whatever the basis for this fear may have been, it has been pretty effectually diminished, if not dissipated, by current events. As things stand, the session at Washington hardly seems likely to produce anything in the way of real legislation on that topic, and perhaps it is just as well that that is the case. The well-known "wisdom of Congress" is not notable as applied to financial questions, and is likely to be less than ever observable in this particular instance. As for the outlook at Albany, there would seem to be even less prospect of any measures in the state legislature, so that nothing needs to be said on that score.

Why does not the Stock Exchange itself undertake to render a recurrence of these scandals impossible? There are many things that it could do to guard against a revival of bucket shopping. Yet, so far as generally known, there is no indication of any plan or even any disposition to undertake such a process of reform. In these circumstances, a return of bucket-shopping evils is to be expected. It has nothing to do with the situation to assert that the responsible members of the Stock Exchange are not in any way to be blamed for such evils, and that they have nothing to do with them. The latter statement is at least probable, but the

fact remains that they tolerate the existence of the conditions that may lead to bucket shopping as the public is now well enough aware. Recognizing the facts in the situation, it is not singular that outside buying has fallen off, and that there is but little interest on the part of the community compared with what might otherwise have been expected in Stock Exchange operations. This distrustful attitude on the part of the public develops at a time, too, when the support of the community is much needed in order to offset or neutralize the depressing factors which come from hostile legislation of various kinds.

The speculative community cannot rely upon slow and belated anti-bucket-shop measures taken by politicians whose main interest is vote-getting and not the protection of the public. From the mere business standpoint, it is urgently necessary that the country shall have full reassurance as to what it may expect when it goes into the speculative markets. That can be furnished only by voluntary and effectual action on the part of legitimate financial interests, designed to restrain speculation, prevent dishonesty and insure the investor or speculative operator whatever it is that he buys and pays for.

TAX PROGRESS

THE tax situation continues to be the overshadowing element in business conditions, and the stock market continues to react more sharply than ever to the news about taxes and tax reform, giving more weight to that factor than it does to anything else. With foreign trade depressed and some phases of business no better than they ought to be, the necessity of getting relief from overburdening taxation is more apparent than ever. On the other hand, the financial effects of burdensome taxation are growing more and more apparent. Last year enormous quantities of tax-exempt bonds were issued, and Secretary Mellon in a recent computation puts the outstanding total at about $32,000,000,000. This, however, plainly does not include the many issues of partially tax-exempt securities which have been sold to the public and are eagerly taken up by those who have to suffer under the present surtax rates.

The popularity of such issues means, of course, a corresponding and increasing difficulty on the part of the general capital market in getting access to such supplies of funds as are within reach. This one fact alone would account for the importance which the market assigns to the action to be taken by Congress with regard to tax reform. The psychological effect upon business, and upon the individual taxpayer, produced by lightening of the present burden is, moreover, entitled to very full consideration and could not help being an extremely powerful factor in promoting the general prosperity of the community. Tax reform will continue to be the main market factor, beyond much question, until such time as it is disposed of one way or the other.

EXEMPT BONDS

MEANWHILE the question of tax exemption for bonds continues to figure incidentally, but significantly, in the minds of those who are at work upon the tax-reform question. Possibly the most striking phase of it just at present is the continued sale of enormous quantities of agricultural bonds put out by farm-land banks and other institutions of like class. Last year, according to the report of Secretary Mellon, the total loans made by agricultural land banks, public and private, were about $450,000,000, and all of these were either convertible into, or actually represented by, tax-exempt bonds. Of such bonds there are actually outstanding today about $1,200,000,000, notwithstanding the fact that our agricultural mortgage institutions had really not gone into effective operation until after the close of the war.

All this shows why the constant debate about government, state, municipal and county issues must be regarded as only a superficial indication of the significance of this problem. Government bonds are today not increasing in amount, but, on the contrary, Secretary Mellon was able to report to Congress a few weeks ago a cut of about $600,000,000 in the public debt. There are few states where the debt is being reduced, but there are many where it is not increasing very rapidly. Chief harm is done through new issues of tax-exempt bonds which attract the new savings that are coming forward from time to time on the part of those who have an income that exceeds expenditures; and it is precisely this kind of danger that results from the present policy with regard to the issuance of tax-exempt agricultural securities.

STOCKS VERSUS BONDS

ONE result of the recent U. S. Supreme Court Recapture decision has been to raise the point whether there is anything in the railroad situation now developing that would enable the roads to resort more freely to a sale of stocks instead of financing themselves, as

they have lately done, largely through issues of bonds or notes. Certainly there is nothing thus far to warrant an expectation of any such alteration in methods of railroad financing. The Interstate Commerce Commission is reported to have reached a fairly advanced stage with its work on the consolidation question, having heard all of the larger interests affected by its proposals, and being engaged at present in the process of preparing plans for some presumably feasible amalgamations. Evidently, if these are really in prospect, the investor is not likely to look with favor meanwhile upon a type of security which would subject him to the early necessity of making changes in his holdings, while the roads themselves, if they expected to go through a consolidation or merger process, would not be inclined to regard favorably any modes of financing which could not be considered as at all permanent in result.

Whatever the eventual outcome of the present conditions in the railroad world may be, their immediate effect would seem rather to favor a continued resort to methods of expediency designed to bridge over present conditions. This would point to the increasing use of short-term notes at current rates of interest rather than reissues of long-term bonds or efforts to recapitalize by stock sales.

CUTTING DISCOUNT RATES

ONCE again the low-rate advocates at Washington are apparently trying to see what they can do in the endeavor to secure a cut in discount charges among the Eastern Federal Reserve banks. They have not succeeded thus far, but the argument on their side is understood to be based upon the great accumulation of surplus funds and particularly of gold in the hands of Federal Reserve banks. Should the discount rates be cut, they assert, the effect would be to bring about a parallel cut in rates in the open market, and the outcome would be an eventual lowering of the cost of "money" all around, with corresponding benefit to prosperity and active business. This, of course, is the same erroneous theory of rates that has been in vogue for a long time past not only in Federal Reserve circles, but elsewhere. It is based upon the notion that the rediscount rate of the Reserve bank has some kind of effectiveness or validity, regardless of its actual volume of operations or regardless of its application to different types of loans.

There was a glimmering of perception among Federal Reserve officials some time ago as to the true facts in the case. Several of them recognized at that time that active open market operations will be necessary in order to make the discount rate really operative. But whatever was done in this direction has been rendered largely nugatory, by reason of the fact that the open market activity of the banks has been confined chiefly to government obligations.

CLOSING FOREIGN TRADE BANKS

AN unfortunate commentary upon our foreign trade and banking policy generally has been afforded by the news that the Asia Banking Corporation, an enterprise which had established several branches in foreign countries, has sold all of its assets to the International Banking Corporation and will eventually retire from business. There are a few specialized institutions still at work in the foreign trade field, among them the so-called Edge banks, two or three in number, and some others. They are few and far between, however, and the events of the past few years have decimated their ranks.

Indeed, the International Banking Corporation is now once more nearly alone as an American foreign trade institution. This general type of reactionary development is the natural outgrowth of reluctance on the part both of the banks and business houses to grant any credits or accept any commitments in the foreign field, owing to the fact that such commitments inevitably involve risks growing out of depreciation of foreign currency or conditions connected therewith. Of course, it remains true that, in order to do any real foreign trade, we shall have to accept the methods that have already been developed by other countries which have had a favorable experience in that direction. This undoubtedly means that we must gradually develop an effective machinery of banking on foreign trade account, and must succeed in applying it in conjunction with our export activities of various kinds.

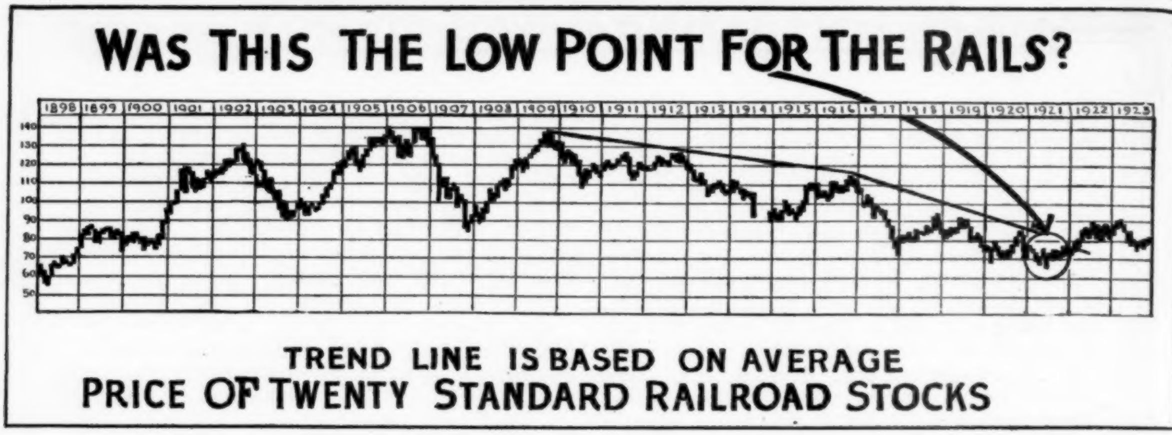
THE MARKET PROSPECT

ALTHOUGH within the past three months the market has recovered seventy per cent of the previous twelve months' decline, we have no reason to doubt that the rise will continue.

Business men are beginning to awaken to the possibility of a big year, and are registering their confidence by purchasing securities.

Seldom have we seen a situation more favorable.

Monday, January 28, 1924.



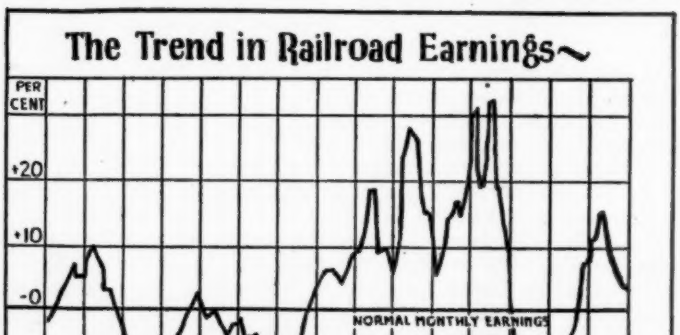
Has the "Zero Hour" Struck For the Rail Advance?

An Era of Great Railroad Consolidations Seems Imminent—Will Chiefly Benefit the Smaller Carriers—Rails to Play More Important Part in the Market

By BARNARD POWERS

ARE the railroads "over the top"? Has the long-awaited "zero hour," when the great advance in the rails is supposed to start, at last arrived? Are the carriers of the country at length on the road to recovering their former glory of market leadership and the earning capacity which once was theirs? Decidedly important questions and not to be answered without the most careful study and consideration.

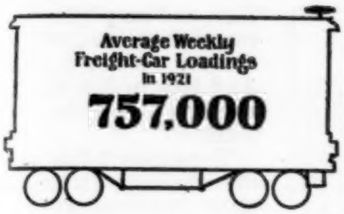
One must beware of following the tendency prevalent among financial writers in the last decade of predicting a "come-back" of the rails based on the general theory that what goes down must go up. What goes down *may* go up, and then again it *may not*. Many millions of dollars have been lost in attempting to demonstrate the unsound theory that upward action always eventually equals reaction. One has only to glance over the list of securities traded in on the New York Exchange or the Curb Market ten years ago, to realize there are many examples of securities which have gone down never to come back. Nevertheless, it has become a favorite theme with certain financial writers to boldly predict, every now and then, that the rails have at last "turned the corner" and are on the permanent upgrade. Time and again such predictions have come to naught.



Based on Gross Earnings of Thirty Leading Railroads
(From Standard Daily Trade Service)

End of the Rail Era

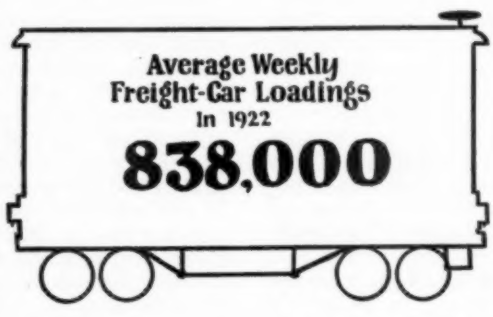
The end of the last great railroad era, lasting nearly a decade, came, roughly speaking, with the death of E. H. Harriman in September of 1909. Connected with the Harriman period are such names as James J. Hill, Jay and George Gould, John W. Gates, Edwin Hawley, J. P. Morgan and a hundred other lesser lights. The period 1900 to 1909 was one of tremendous significance in the railroad world and consequently in the stock market, which at that time and before was a "rail market." The 1900-1909 period marked the growth of the Harriman domination and the development of the West through the Harriman and Hill lines. Pennsylvania, Atchison, Union Pacific and Reading were head and shoulders the market leaders. Among the industrials Amalgamated Copper and U. S. Steel only ranked of first importance marketwise. In the year 1903 there were



only six companies outside of rails, in which the annual transactions on the New York Stock Exchange exceed the million share mark, while there were seventeen rails which exceeded that total. Ten years later the rails were still market leaders, but the day of the industrials had commenced to dawn and the great industrial boom was well under way.

Why the Rails Declined

Before the passing of the great Harriman it was evident to careful students of economic conditions that the zenith of the railroads had been reached and passed. As an outgrowth of the great development of the roads and the concurrent great speculation in railroad securities, there arose a great popular outcry against railroad leaders and the railroads themselves. The position of the Government was mirrored in the Northern Securities decision and President Roosevelt's attitude toward E. H. Harriman and the interests he represented. The Interstate Commerce Commission reflected with marvelous fidelity the state of the popular mind and the hundred and one state regulatory bodies vie with each other in repressive legislation against the common enemy—the railroads. Unquestionably there were many and serious evils in the situation which required correction, but destruction rather than correction was the order of the day.



The result was that not only was the proper development of the railroads hampered but capital was rendered timid. Long-sighted investors were frightened into disposing of their railroad securities. The long-sighted investors, as is usually the case, were not the holders of a few hundred shares of New Haven, Missouri Pacific, St. Louis & San Francisco or Pennsylvania, but the "big" interests or individuals who saw the situation in its broad perspective and were able to interpret the true meaning of the handwriting on the wall. Large blocks of railroad stocks were split up into smaller blocks and passed on to the public, who bought on the general theory that since these stocks had declined ten, twenty or fifty points they, therefore, were cheap. The public was not able to easily forget the time when railroad securities were the elite of the investment world.

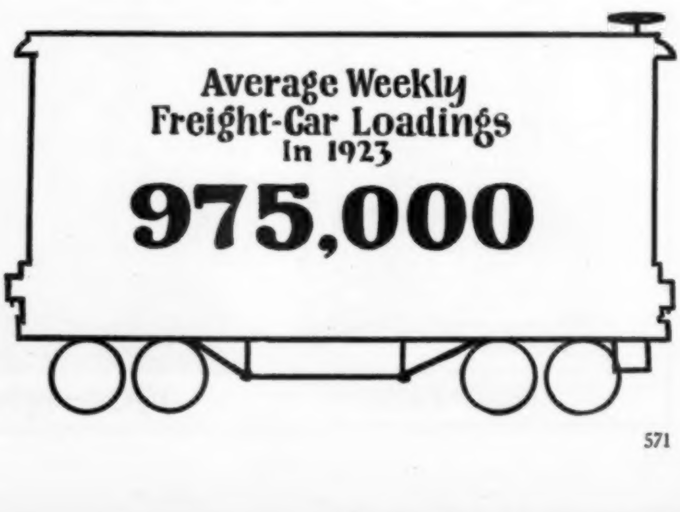
What the War Did

The decline in the railroads from 1909 to 1914 was due primarily to popular outcry and repressive legislation coupled with the insistent and increasing demands of organized labor. In the long run oppression usually creates its corrective as a disease creates its own toxin. Otherwise the patient dies. By the time the World War broke out railroad baiting had ceased to become a popular pastime. Even the pseudo-economists and all except the most virulent radicals had the sense to perceive what must be the inevitable result to the country at large if the railroad patient was put to death or seriously disabled. It is more than probable, if the War had not broken out, upsetting the economic and business world, that the railroads would have been permitted to work out their own salvation. In fact, the years 1915-16 showed a very considerable recovery in railroad securities, although nothing like the corresponding upswing of the industrials during that time.

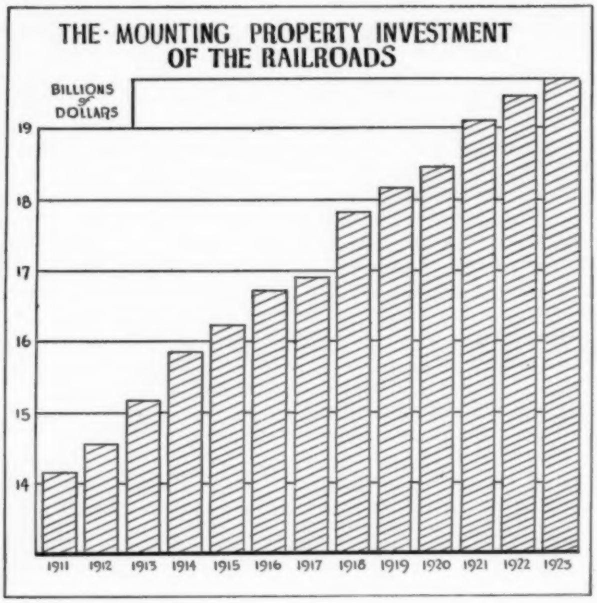
The Convalescence Period

Then came the entry of the United States into the great conflict and the era of Federal operation of the carriers. No more disastrous experiment has ever been attempted or carried out in the history of American industrialism. Its effect upon railroad securities is vividly portrayed in the graph which accompanies this article.

Under Federal direction railroad costs became mere scraps of paper. Efficiency in management was subordinated to politics and the labor unions whooped up the chase. Uncle Sam was footing all bills, hence why worry as to the totals? No one did worry, the labor unions least of all, and the costs of Federal control were such as would have staggered any country less rich than these United States of America. When the Government handed back the carriers to their owners on March 1, 1920, they were dangerously close to the junk heap and the morale of railroad employees had been badly shattered. The fetish of Government Ownership, or Government Operation, received what was probably its death-blow. Perhaps for that reason alone the experiment was worth all that it cost, although certain enough the cost was high enough in all conscience. *(Please turn to next page)*



The two years following the return of the carriers to their owners may be regarded as a period of convalescence. When the railroads came back to private hands they were sick, as a class. Roadbed, terminals, rolling stock and equipment were in deplorable condition and operating costs in some instances were 100% or even more of gross income. Drastic steps were necessary and drastic steps were taken.



Operating and administrative morale had to be restored, physical properties repaired, old equipment renewed and new equipment purchased. The years 1921 and 1922 may be regarded as a period of readjustment and recovery from the destruction of the Federal control era. Operating costs, the barometer of railroad prosperity, had to be scaled down to the proper levels so that balance sheets at the end of the year would show no entries in red.

The struggle was long and difficult, but was carried on with energy and enthusiasm by the railway executives. In certain individual cases it was not possible to show the desired results, but by the end of 1922 the railroads as a whole began to feel solid ground beneath their wheels.

The beneficial results of the work of the so-called convalescence period were apparent in 1923, and is well summed up by the analysis written by Mr. Orrin Gray, which appeared in our last issue. He said in reference to 1923:

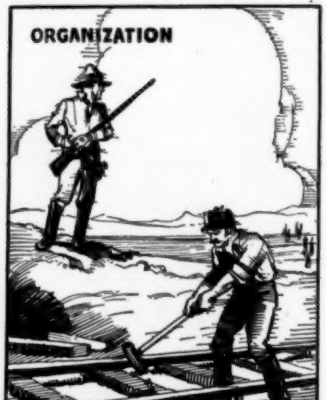
"There was no slowing down or hampering of business due to car shortages, no freight congestion, and no plethora of complaints concerning delayed shipments. And this in the face of a record volume of traffic!"

Throughout the year the rails continued to show improvement, as Mr. Gray pointed out. The percentage of unserviceable locomotives and freight cars on December 1, 1923, for instance, was but 14.7% and 6.8% respectively as compared with 22.4% and 10% a year previous.

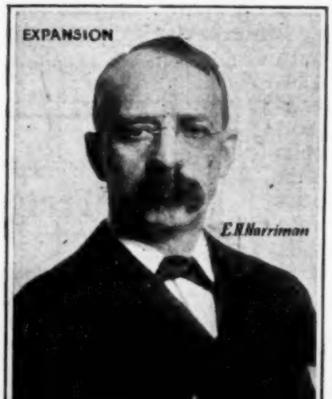
The class 1 roads showed an operating ratio of 77.8% for the first ten months of 1923, as compared with 79.62% for the corresponding period in 1922.

While gross for the first ten months of 1923 increased only 15% over 1922, owing to lower freight rates, the net operating income, owing to the fine results in operating ratio, showed a gain of 33.7%. Expressed in terms of dollars it seems likely that the carriers will show a net operating income for 1923 of upwards of one billion dollars. The only previous year in which this mark has ever been passed is 1916 when the net operating income was $1,040,000,000. The remarkable performance of the carriers in 1923 was an unanswerable reply to those who contend for Government ownership or Government operation. Doubtless they will continue to raise their voices, but they are pleading a lost cause. The shipper who depends on the railroads, and the citizen who commutes daily, has had a very concrete example of the pro and con of the matter and now knows the true answer. Neither are likely to be deceived by further sophis-

A CHRONOLOGICAL CHART OF



1850-1900



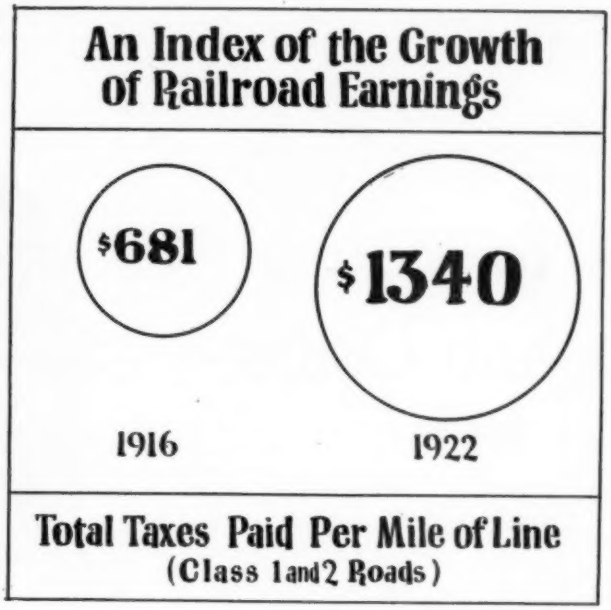
1900-1910

1910-1914

tries no matter how cleverly expressed.

What Lies Ahead

The thirteen-year period preceding 1923 was the twilight of the railroads. Thirteen years is a long time for any fundamental industry as important as the railroads, to be on the downgrade. Had the War not intervened that period would undoubtedly have been considerably shorter. Have the railroads at last reached the point where there are good prospects that they may regain at least a measure of their former earning power and financial standing?



It seems highly probable.

In the first place, as we have already pointed out, the roads have been revamped and put on a sounder physical basis than in years. This in itself, like the subsidence of temperature in a fever patient, is a good sign but not conclusive. The real hope for a new and better era for the railroads lies deeper. *It lies in the public consciousness which is reflected by the acts of the servants of the country, that the railroad industry is basic and must be allowed to live and live properly.*

The hysterical cry of "Down with big business" has been succeeded by the rational motto, "Regulate big business." Provided it needs regulation. Control, not destroy, is the watchword of the day in reference to public utilities. Big business is necessary to the proper development of the country and big business has come to stay. This, then, is the important psychological factor underlying the situation and one which warrants the belief that a new day is dawning for the carriers. Give the railroads a fair chance and they will take care of themselves. Thinking persons are agreed that the railroads are entitled to a fair chance and should have it.

Just how this fundamental change of thought will eventually function to the advantage of the roads remains to be seen. Many manifestations of its presence are apparent. The Transportation Act with its recapture clause is one manifestation. President Coolidge's remarks to Congress where he stated that no rates should be allowed which would not allow the roads affected a fair return on their invested capital, is another. The tendency of the country at large to regard the agriculturists' demand that special railroad tariff favors be granted them, as on a parity with the sentimental "Buy a bale of cotton" movement during the war, is a third. And there are many others, among which and by no means the least significant, is the market action of the leading railroad stocks. But more of that presently.

Unless all signs are misleading we are on the eve of developments of highest import in the railroad industry. With fullest comprehension of the danger always inherent in long-range predictions, the writer is of the opinion that we are about to enter into an era of railroad consolidations which will change the entire railroad map of the country.

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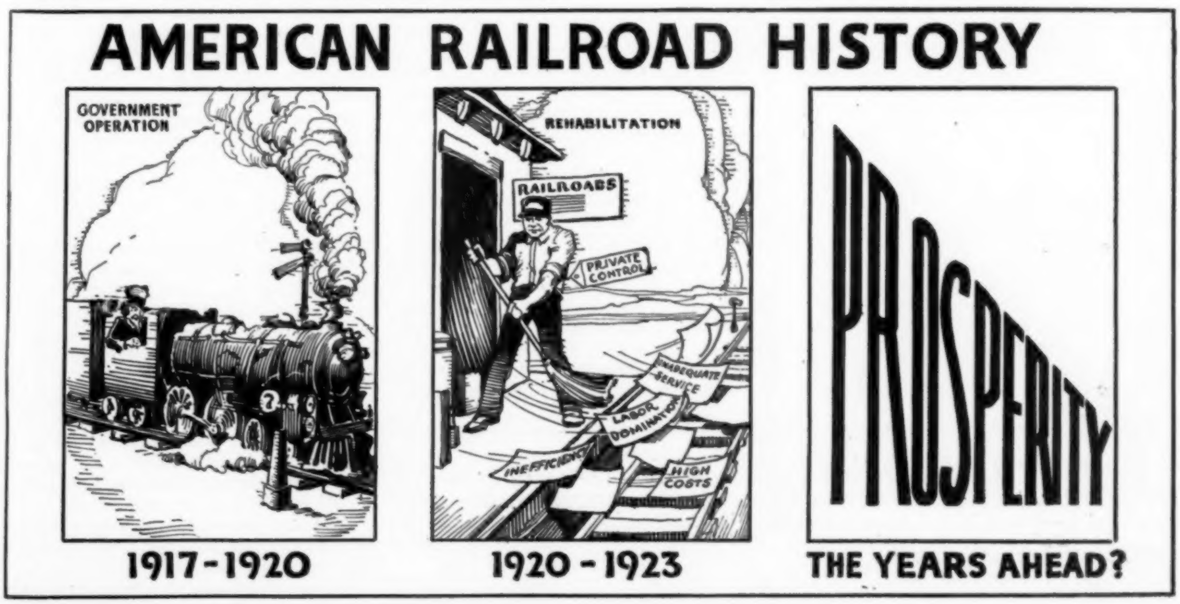

What Liberalism Means to You in Dollars and Cents

By HON. C. C. DILL

U. S. Senator from Washington in an interview with Theodore M. Knappen

"I DON'T profess to know just what I would do to better the position of the masses of the people if I had the power to carry through any legislative program I might favor," said Senator Dill, of Washington, when I asked him what, as a progressive in Congress, he would really like to do with a view to bringing the millennium to pass at the earliest possible moment.

Senator Dill, blond, sanguine, and militant, is the youngest of the senators, only 35, and as flaming youth, radicalism and lexicons lacking in "cant's" are wont to go together, he might be expected to be the one who has thought it all out, and knows precisely how each tentacle of the octopi should be lopped off and cauterized, to the end that economic waters might again be safe for the modest fishing ventures of the Common Man. But he admits that he hasn't thought it out and put it in a trim package for prompt delivery.

"It is the liberal state of mind that seems important to me," continued the Senator, "rather than a program or a particular measure designed to substantiate that. The recurrent absence of liberalism in Congress is one of the curses of our American variety of politics. It compels frantic compensating waves of impetuous liberalism, which soon exhaust themselves in futility. Congress is rarely so liberal as public opinion.

"One of the reasons, and one little understood by the public, is that the whole system of organization of Congress is designed and calculated to inject conservatism into the circulation and very bones of members. Have you ever noticed how rapidly liberal-minded men change into reactionaries after a few years in Congress? Why, I was elected to the Senate to succeed Senator Poindexter, who first came here as a progressive. He had changed. It took the people a long time to grasp that fact, but when they did they turned him out. There's Senator Cummins, regular, old guard leader now, but used to be a dangerous radical. For many years, former Senator Kellogg of Minnesota traveled on his youthful reputation as a trust-buster, reformer, friend of the people, deadly foe of the interests, etc. Yet from the day he set foot in the Senate he began to slip—and probably he didn't know what was transpiring until he crawled out from under the Shipstead avalanche and went off to an atmosphere congenial to his later years, at the Court of St. James. I might name others but these will do.

"Long ago the conservatives in Congress worked out the system of seniority in committees and in general leadership which is the greatest machine known to parliaments for the slow and painless but rarely failing conversion of young liberals into old conservatives. I was in the lower house some years ago, and it is really a depressing thing to see how the system has regularized if not brutalized many an ardent independent of other days. Where they were volunteers for progress they are now mercenaries for place and power.

"You see we have no party fences along the boundary line of liberalism and conservatism. There is no political organization with which the man of liberal ideas and bent can train and encourage and strengthen his liberalism. No matter which of our two old parties a man belongs to he is apt to find that they are liberal at the beginning and bottom and conservative at the end and top.

"Now, do you see what I mean when I say that liberalism as a state of mind is more important than any concrete expression of liberalism. I conceive it to be my chief opportunity for service to promote the liberal attitude. Congress needs an ever-present, influential body of progressives which will steadily and persistently press for enlightened legislation. We can't always tell whether we are going backward or forward in our present way of being progressive by spurts and reactionary by habit."

"But, after all, what is liberalism?"

"Well, in America liberalism is a belief in democracy and a constant devotion to the better interests of the average man. No man is a liberal who loses confidence in the common man or interest in his happiness. The business of organized society is to promote the general welfare. The generality of people are poor, defenseless and weak. They are the concern of liberalism. The fortunate, the successful, the entrenched, tend to become illiberal and selfish. As wealth has accumulated in America, there has grown up a certain contempt for the common man. The under-dog is believed to be such because that is his nature. We are told that common people get all they deserve and can use, and we are warned against wasting our sympathy on people who are really quite happy and content in that state in life which it has pleased God to call them, as the Anglican prayer book has it."

"But do you really think that legislation is ever going to make the poor rich and the weak strong?"

"I am quite aware that law-making has

"I conceive it to be my chief opportunity for service to promote the liberal attitude. Congress needs an ever-present influential body of progressives which will steadily and persistently press for enlightened legislation."

its limitations. Some things, as for instance the nature of man, are not subject to law. Sometimes a law has a worse kick than shot. We developed trotting horses in this country because there were laws against running races. We passed the Interstate Commerce Act to 'trim' railways of their super-strength, and it turns out that it is all that has saved them from bankruptcy and ruin. You must have your law in alignment with facts and with human nature. You can be a little ahead of it, but you must be careful not to get too far ahead of it.

"But our statute books are littered and our courts buried in obsolete laws and applications thereof—laws and interpretations that are not adapted to our times and our necessities. If laws are sometimes passed that are not timely there are also many laws that are no longer pertinent. We must keep law up with progress. Writing a new law is often nothing more than repealing an old law. I know of no other way to remedy commercial and economic evils that are fostered by present law or lack of it than by new enactments.

"I know, everybody knows, that there are economic controls in this country that are greater than government, that dominate society—and exploit it for their own ends. I don't mean that Congress, for example, is directly subject to this unseen government, but that its power in the general background of national life is so great that in the long run it gets what it wants, with or without law. It is the real power that shapes the daily life of our people in that it determines how much they shall eat and wear, how much of their earnings shall go into its rake-off, how full their lives shall be of unrequited toil and what measure, if any, they shall have of pleasure and diversion, always at a price. Now, I want to see this power abolished. I want to see the people free to mould their lives, subject to their natural inheritance and an improving environment. The democratic ideal, the common weal, is the eternal ideal for which all liberals must ceaselessly contend. We have a nominal democracy in politics, and we need to have democracy in industry. That is a vague term, and the idea is vague, but roughly I mean that we must grasp the industrial idea, as we already have the political idea, that the object of associated human effort is a better common life."

"But isn't big business getting better, more human, more democratic, more serviceful?"

"I believe it is. I believe that there are many big business men who are working for the common good through their particular economic control. Mind you, I am not condemning men, but rather the system. The powerful man who abuses his power is as much the product of environment as the despoiled man. Asquith expresses my idea when he says that he would rather live under an incompetent democratic government than under a strong, just and efficient tyranny.

"I resent hereditary and anti-democratic rule in the national economy just as I do in the national state. I may admire, respect and even love a noble autocrat, but that doesn't win me to autocracy. A benevolent despot in industry and business does not commend benevolent industrial autocracy to me. Democracy will not be content to be free in the political half of life and a slave in the industrial half.

"Can anything be more damnably repugnant to democracy than the ability that business autocrats have to rake in millions by taxing the necessities of life a penny or two? That looks much the same to me as political tyranny. Are we free when the oil companies can turn the price screw at will and squeeze tremendous dividends out of what has become a necessity. Big business must learn to be satisfied with reasonable rewards for beneficial services and eschew exploitation for greed of profit and power or it will be abolished. I am Jeffersonian in my theoretical attachment to a simple government that does little more than preserve the public peace, but I can't be Jeffersonian in practice. The growth of antagonistic forces compels the government to do more and more to preserve and defend democracy. In Jefferson's time in fresh young America, democracy needed no defense. Government needed then to do little more than to preserve the public peace, administer justice and defend the nation against foreign foes. Our modern life has become so complicated that, like a highly developed game, it must have many rules to enforce fair play. Equality of opportunity must now be maintained by law or there will be none."

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"You just spoke, Senator, about abolishing the power of big business," I interjected here; "do you mean the adoption of state socialism as the means?"

"No, I am not a socialist. I would have the state do only what it must do. I recognize that we must have large instrumentalities of industry, commerce and transportation for the doing of big things, and I shrink from the spectacle of bureaucratic industry, except as a last resort. From the public point of view, big business is only justified by its works. It must serve and serve loyally. If service and fair profits are not compatible the profits will have to go. As I said before, there is evidently a movement toward a higher and better plane among industrial leaders. That is very encouraging, for laws are apt to be futile unless the majority of subjects of them are docile, but until there is a considerable change in human nature it will require law to encourage the well intentioned and oppose those of bad intentions. We should have the active cooperation of business men of vision in saving private industry by regenerating it. Today the seeds are being sown that will destroy the power that is greater than government or else destroy freedom. Already we have done so much in creating industrial Frankensteins that are more powerful than the governments whence they derive their charters, that we can't get back to democracy without hurting someone, no matter how cautiously and moderately we proceed. We must remember that those who may be hurt are those who prospered when others suffered.

"There are some things that require immediate attention. Railway rates for example. The Northwest was built up and populated on the basis of certain transportation rates. The rates of recent years are undoing the work of empire-building. In Washington enormous quantities of the finest apples are rotting because at present prices they cannot pay transportation charges to markets. All through the Northwest farmers are mortgaging their farms to live, or are abandoning those that have already been taken under mortgage foreclosure. So, it is perfectly evident to my mind that the Esch-Cummins law must be rewritten. But transportation is only a part of the farm problem. We must see to it that the farmer has something left when even a reasonable transportation charge is deducted. We must have something like the Norris-Sinclair bill. It only seeks to use governmental agencies to restore a fair balance between the farmer and those he feeds. I can see nothing more unsound in it than in a tariff law that purposely puts into private manufacturers' pockets vastly more than it puts into the public treasury.

"Maybe we cannot cure the ills that afflict us. I confess that I don't know the all-cure. We can, however, rise above the level of dumb, driven beasts and try

(*Please turn to page* 646)

Laugh and grow rich! For pure, unadulterated humor, read—

Free and Easy

Or, the History of Isham Watkins

By WEARE HOLBROOK

Isham had become an accountant in ten easy lessons—

—And an accountant he remained!

TERESA MUSAK was a good cook as cooks go, and they do. It had been twenty years since Teresa went from the Watkins household, taking her flowered-tin trunk *mit*. Numerous successors had dimmed the memory of her face, her dialect, and her dinners. In fact, she was nothing but a name. But she had left behind her a monument which, if not more enduring than bronze, was certainly more persistent.

It was *The Hearthstone Companion*, one of those gray, withered magazines that circulate in the mail-order belt. For twenty years it had sought Teresa in vain, each issue stamped with the reminder that Your Subscription Has Expired. One can picture the editor of *The Hearthstone Companion* (surely a good soul in a white wash-necktie) trudging wearily off to bed, lamp in hand, and saying to his wife, "Well, Martha, who knows? Perhaps tomorrow Miss Teresa Musak will pay up her subscription."

How and why Teresa had ever subscribed in the first place, was a mystery, for she could neither read nor write. Yet the monthly visits of *The Hearthstone Companion* were never entirely unappreciated. One of the earliest and most exciting literary experiences in the life of young Isham Watkins was the stealthy abandonment of *St. Nicholas* with its pages shining cleanly under the parlor light, the rummaging among the old papers in the kitchen, and the discovery of Teresa's dim magazine, to be read by Teresa's dim lamp. Each reading resulted in an orgy of "sending off." Big free catalogues, free samples, secret formulæ for love potions, invisible ink, gold plating—all were to be had simply by sending one's name and addresses and perhaps a few stamps to cover the cost of mailing.

Isham Watkins was a dreamy, diffident youth, but he longed to be hailed as a jolly rogue, the school comedian, the life of the party. To this end, he ordered squirting *boutonnieres*, loaded cigars, artificial ink-blots, stink-bombs, sneezing-powder, stage money—none of which he had the courage to use. Isham acquired all the paraphernalia of a complete village cut-up, but he lacked the fine, wild idiocy that goes with it.

Among other unsatisfactory ventures was the correspondence course in ventriloquism. "Mystify Your Friends!" The advertisement in Teresa's magazine showed a blotchy gentleman in burnsides, busily mystifying his friends. Isham's rehearsals were halted by parental command at the second lesson, but probably even the complete course wouldn't have made a ventriloquist of him. He simply hadn't the guile.

Most of the commodities advertised in *The Hearthstone Companion*—and particularly those which were Absolutely Free—disappointed Isham upon closer acquaintance, and yet the chief charm of the magazine lay in the advertisements. The serials by Augusta Evans and Mrs. E. D. E. N. Southworth paled beside the patent-medicine publicity. "I Itched All Over," confided Mrs. Herman Siltz in fat black type, as a prelude to an account of the tortures of eczema. "I Had Pains In The Back And Floating Specks Before The Eyes," boasted Joseph Lunquist in an adjoining column, jealous of the sympathy which Mrs. Siltz might excite. "My Liver Is Sluggish No Longer," J. R. Fishinger announced complacently, but a wistful note crept into his account of the departed sluggishness.

All of these persons were eager to help their fellow sufferers. Sanity, comfort, and lively livers were offered for the price of a stamped, self-addressed envelope. Reading *The Hearthstone Companion* convinced Isham that it was a pretty altruistic old world, after all—even if one did have to sell twenty-four packets of sachet-powder in order to get an "absolutely free magic lantern." To his dying day, Isham unconsciously thrilled at the sight of the word FREE in big, Gothic letters followed by an exclamation mark. He couldn't get over the idea that it meant something-for-nothing.

Isham graduated *cum laude* from one of the oldest correspondence schools in the country, and it was seventeen years before he gave up looking forward to the time when, as per advertisement, the general manager would say to him, "Young man, I've been watching you. This desk is yours." Isham had become an accountant in ten easy lessons, and an accountant he remained.

He had not known Amelia long until he realized that he could not be happy without her. He proposed, and Amelia accepted him, to the accompaniment of a fractional-karat diamond. "It's not so much the value of the ring," remarked Amelia, "as it is the principle of the thing." So much for Amelia. Isham got the ring at Fischbein's for twenty-five dollars down and two dollars a month.

After they were married, they pooled their savings and bought a house and lot, for they had resolved to be the slaves of no landlord. They paid a thousand dollars down and figured that they would exchange the contract for the deed in only twelve short years.

The house was fitted throughout with mission furniture. The dining-room, bedroom, and parlor all contained suites of the same design, so that wherever Isham and Amelia looked, they could see masses of Grand Rapids cubismus. "You'll save money in the end by getting your furniture all at once," the furniture man explained, "and you can pay for it in ten easy installments." On a similar basis they purchased their kitchen cabinet and their vacuum cleaner.

When Isham decided to get an automobile, he hesitated between a four-cylinder Wahrt with a five-year guarantee and a six-cylinder Purceau with an electric cigar-lighter. Although Isham did not smoke, he finally chose the Purceau because he could acquire it for only a few hundred dollars down, and the rest in monthly payments.

This was all very well, but Amelia had

After he and Amelia were married they bought a house and lot—

—On a basis whereby the Contract would be exchanged for the Deed in 12 Easy Years

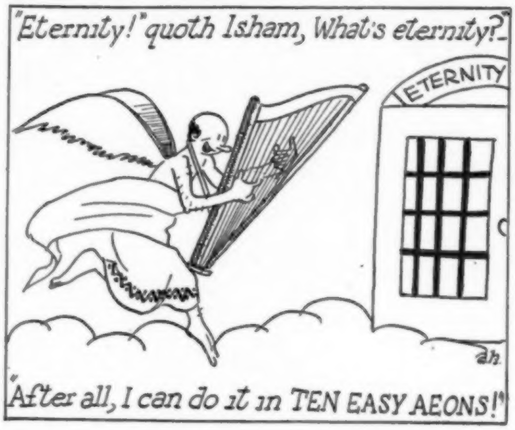
a feeling that she and Isham were rather neglecting the Finer Things In Life. Amelia's idea of refinement was a Wallace Nutting picture in the parlor and *O Sole Mio* on the victrola. She had the picture already, so Isham bought her the phonograph. "Pay While You Play," advertised the dealer. Isham did, in ten easy payments.

The following winter found Isham badly crippled by rheumatism. It started in his wrist when he was writing a small check, and spread through his entire system. He went to see a doctor. The doctor had a brother-in-law who was a dentist. "Rheumatism is caused by infection through the teeth," said the doctor. "I advise you to have the rest of your teeth extracted at once."

Reluctantly, Isham went to the dentist. "Will it hurt much?" he asked as he lay back in the chair. "Oh, no," replied the dentist, "just ten easy jerks."

But if it wasn't rheumatism it was something else, and a few years later, Isham died. Death came just as he was opening a thin, fenestrated envelope.

Amelia had a handsome marble shaft erected over his grave. It towered above all the other monuments in the cemetery, and was really more than Amelia could afford, but because there was a flaw in the marble, the tombstone man let her have it on very attractive terms. Ten easy payments.



"Eternity!" quoth Isham, What's eternity?
"After all, I can do it in TEN EASY AEONS!"

Isham went bounding up the golden stairs, ten steps at a time, and rapped on the gates of Heaven. Cautiously, St. Peter peeked out.

"May I come in?" asked Isham.

St. Peter looked at him and shook his head. "No. You are a niggler, and there are too many little debts against you," he replied. "You must go down to purgatory and there do penance for your sins."

"For how long?" asked Isham humbly.

"For all eternity."

The gates of Heaven closed. Sick with disappointment, Isham walked slowly down the golden stairs.

"Eternity!" he sighed. Then suddenly his face brightened.

"After all," he said to himself, "what's eternity? I can do it in ten easy aeons."

Britain's Bloodless Revolution

Its Effect Upon the Empire's Economic Position—What Does It Mean to the U. S.

ON January 22, Ramsay MacDonald drove up to Buckingham Palace in London, was ushered in to the King whose hand he kissed and thereupon became Prime Minister of Great Britain. This marked an epoch in the history of John Bull, for MacDonald is the first Socialist premier to rule that country. His accession to power is the more remarkable considering that during the war he was probably the most cordially hated man in England. His pacifist utterances alienated the affections of even his Labor adherents. However, if Ramsay MacDonald did not change, a good part of the population did and the reaction from the inefficiency of the Conservative Government carried him to the highest post in the British Empire.

From the economic viewpoint, the Socialist or rather Labor control of the British Government is deserving of consideration as holding very interesting possibilities. The party which MacDonald represents favors two radical policies: one, the taxation of capital and the other, the nationalization of public industries such as railroads and coal mining. In anticipation of the taking over of the Government by the Labor Party, important, if timid, financial interests have for some time been transferring part of their holdings to American securities. Indeed, this process can be traced back to France, Germany and other countries as well as Great Britain. Marking the esteem in which the sound securities of the United States are held, it is also important as a contributing factor in the more recent strength of these securities. Thus the repercussion of the Labor victory in Great Britain has been felt as far as these shores.

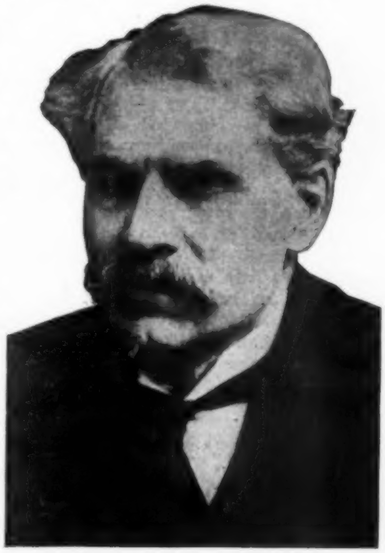
As to the effect on Great Britain itself, political conditions, frankly, do not seem to favor the possibility of the enactment into law of the more important of the Labor planks. As a matter of fact, the tenure of the new Government is somewhat open to question inasmuch as it can hold control only by consent of the Liberals, who of course are not sympathetic to the economic aims of the Labor Party. From that viewpoint, it is doubtless unlikely that either the capital tax plan or nationalization of industry project can go through. Thus, the prospect for practical achievement by the Labor Party does not at this time seem assuring.

Labor a Permanent Force

There is, however, a more subtle though not less important aspect of the present situation and its potentialities, and that is the fact that the Labor party in Great Britain has evidently established its position on a firm basis. Thus, whether it is the party of Government or the Opposition, it will have an important voice in directing the future policies of the Empire. It is not likely that Great Britain will ever again have a Tory Government, and, as for protectionist policies, it is clear that the victory of the Labor party in the last election was directly a result of the ill-judged Baldwin attempt to abandon free-trade as a central economic principle.

Great Britain, at least for a generation, will remain a free-trade state. This is Labor's work. We may also see its hand in connection with foreign policies, and a line-up between Great Britain, Russia and Germany is by no means an improbability.

Summing up, the Labor Government does not appear at this time to be in a position to achieve its primary purpose of rigid taxation and nationalization of industry, but its theories will undoubtedly work a leavening process on the entire British economic policy of the future. Great Britain seems destined to gradually enter the ranks of the Labor states.



RAMSAY MacDONALD
Pacifist-Socialist Labor Leader—and Prime Minister of England!

Here begins an amazing series of articles exposing some of the tricks of the trade pursued by various kinds of financial parasites whose activities strike at the very roots of American finance. Succeeding articles in the series will appear in later issues.

Boll Weevils of Finance

1—How the "Small Manipulator" Plies His Nefarious Trade—and Piles Up His Fabulous Profits

By W. SHERIDAN KANE

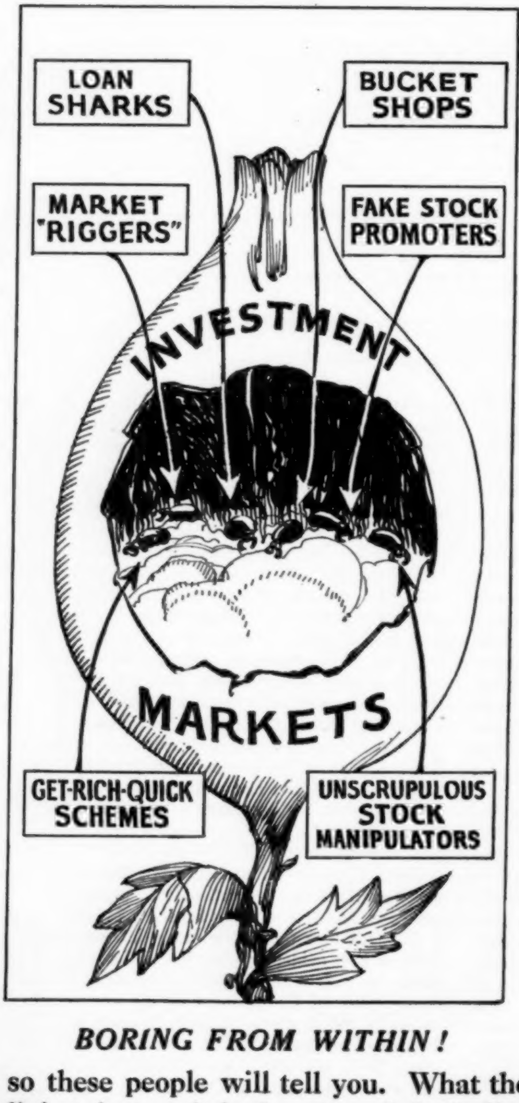
A BROKER retires with a fortune of several millions of dollars and affably tosses his business to his employees as he leaves.

A twenty-six year old Army officer cleans up eight hundred thousand dollars in a year or so, never getting any closer to Wall Street than Manila—and explains in an off-hand manner that he was operating on the advice of a financial tipster.

A Main Street department store goes into bankruptcy. Besides having been stretching its banking and commercial credit for a year or more, it had been borrowing funds through irregular sources paying high rates of interest as well as a bonus. Its shares sold above par a year ago but have had no market lately.

"The Bunkhokum Chemical Concern signed up three more Standard Oil Companies to use its new patented cracking system. This makes a total of 102 of the principal oil companies using the Bunkhokum System on a royalty basis. The stock has been very active on the Curb this week, over 200,000 shares changing hands in a rising market. The stock is selling at $8 a share, but interests close to the company are predicting that it will sell at $50."

NOT one newspaper reader in a thousand, probably, associated these items of news importance in any way except possibly to confirm his belief that, while the marts of trade abound in traps and pitfalls, Wall Street is the place to make a fortune. Once in this groove, the mind proceeds to build up the picture of the hard-working merchandiser buffeted by misfortune and despoiled of his legitimate accumulations—with the counter picture of Wall Street as a great gambling institution, the Monte Carlo of finance, the temple of the money changers—who every so often may be scourged and beaten, and that which they have be taken from them.



BORING FROM WITHIN!

The visualization of Wall Street as a national gaming place is of course all wrong. The spectacular ones who now and then fanfare their trumpets and announce the fortunes they have made, present no argument for or against the operations or the existence of the economic institutions from which they have drawn their substance.

One might as logically argue that cotton growing be banned because the boll weevil is certain to consume a large part of the potential crop, as to insist that the trading exchanges be restricted or outlawed because the boll weevils of finance otherwise will wax fat and prosper; or as well demand that the Dakotas be prohibited from growing wheat because of the probability that rust will claim a portion of the grain.

BECAUSE funds can be withdrawn readily from stock market adventuring men are encouraged to enter the security list when they have temporarily a surplus fund that must lie idle unless it can find a bit of work to do that will not require it to be committed for any stated or definite period. These unusual funds provide the stock market wih buying power when stocks decline; are used to back selling judgment when over-enthusiasm causes prices to advance beyond a warranted point; and generally pro-

"Legitimate? Yes. Or so these people will tell you. What they mean is, it is legal. It is their way of making a living, just as it is the way of the boll weevil to make his living by eating out the heart of the cotton boll from the very time the squares of the boll begin to form until it opens and it is found that, instead of a snowy, fleecy mass of white, there is only the musty, soggy bed with which this destructive pest surrounds himself."

vide a trading backlog, assuring the maintenance of an open market by the very fact that they are willing to enter it.

To the luring of these funds into what is practically a fixed investment—"getting the sucker hung up"—a large part of the skill, time and capital of the boll weevil of finance is devoted. He lends himself to the creating of an apparently active legitimate market for securities, with a view to inducing their purchase by traders, and with the intention of converting the traders into what he jokingly styles "involuntary investors."

There are not very many of these so-called brokers, it is true, and one reason seems to be that after a few years they are able to retire to the simple life, for the really clever toll collector quickly learns how to double and triple his fees and "regular" profits by puncturing at the proper time the balloon he has inflated.

The reader very likely has been "hung up" more than once in some well presented stock in which for a time there was an active market which disappeared overnight. Very likely he merely accounted himself unfortunate, not realizing that he was but one of a large section of the trading public that had been seduced into becoming investors and had contributed

In the next article, Mr. Kane will reveal the operating methods of "Loan Sharks."

to the sustenance of one of the boll weevils of Wall Street.

How is it done? How may a business man who does not like to keep his funds idle, and, therefore, when he finds he has a temporary surplus, endeavors to put it at work in the security market, not only keep from contributing his mite to the upkeep of some financial parasite, but also avoid having his fund tied up indefinitely?

Possibly the answer to the first question will suggest the remedy or preventive sought in the second query.

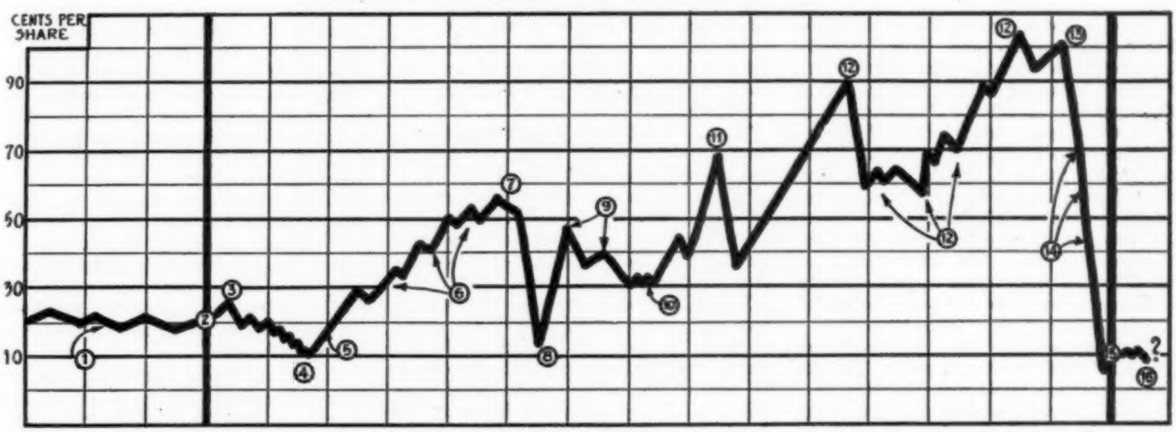
For fifteen years, I have been watching the operations of these small manipulators who invariably style themselves brokers, although you will find that they are always keen to explain that they have never done a commission business—yet a broker is one who for a fee or percentage undertakes a commission for another. Their services, once they have a record for success, are eagerly sought and they come pretty close to naming their own terms. Until they have proven themselves capable of making a market which will distribute stocks they have to content themselves with the "small stuff," the mining, oil and industrial issues traded in on the Curb. Later they may graduate to the big board, and the next step to which they look forward is that of retirement.

One of these operators quit the Street two years ago with several millions of dollars amassed through the distribution of stocks, principally, of three concerns—one of them a New York Stock Exchange issue, the two others Curb stocks. All three issues are well known, for each has a roll of several thousand stockholders, thanks to the clever work of this "retired broker." Today all three of these companies are bankrupt. Indictments have been found in two instances. Stocks which the involuntary investors purchased at "dollars per share," are today not worth one German mark per share.

Yet when this "broker" retired, he was asked what he had done with his fortune to make sure that Wall Street did not take it away from him. He replied:

(Please turn to page 651)

Stock Manipulation at Its Worst



THE above trend-line is a purely imaginary "price-path" of a purely imaginary stock whose market fortunes have been put into the hands of a "market wizard" for the purpose of securing wide distribution through unscrupulous manipulation.

Each step in the "wizard's" campaign is brought out in the chart by means of the key-numbers, as shown. The explanation of these key-points follows:

(1) What stock was selling for originally.

(2) Deal made with market "wizard."

(3) Wizard sells stock in order to "shake-out" as much of it as possible.

(4) Stops selling and covers at a profit (his own).

(5) Stock moves up and big publicity campaign begins.

(6) Suckers buy.

(7) Wizard pulls the plug and smashes his own market, leaving his market followers "hung up."

(8) He covers—and stock recovers.

(9) The "mopping up" stage.

(10) More publicity and more buying by the public.

(11) New high for stock. But it doesn't stay there long enough for public to take profits. Wizard again hits his own market.

(12) Same Old Stuff.

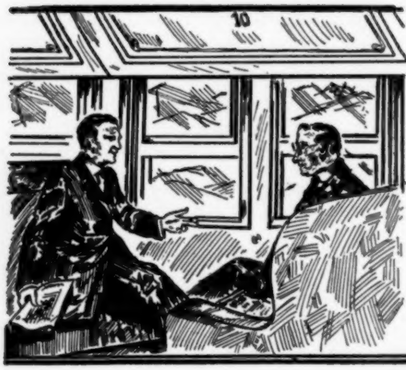
(13) Wizard unloads all stock he can get his hands on and goes short just before his contract expires.

(14) Market-maker out, happier and richer and singing "This Is the Life!"—"New interests" begin to wake up too late.

(15) Wizard's contract expires.

(16) Company's credit is hurt—Commercial paper is called—Creditors wonder why stock broke—Banks turn cold towards company—and—?

What the Bond Man Told The Banker



By

A. Franklin

JUST as the Congressional was pulling out of the tunnel at Baltimore, two men got acquainted—Stafford, at 35 the junior member of the well-known firm of Elton, Stafford & Co., bond dealers, New York, and Carlton, senior vice-president of the Fourth National at Richmond. Stafford, the very epitome of early-life success in his chosen profession. Carlton, an older man, kindly, yet with a look in his eye that betokened little luck for anyone trying to tell him anything but a straight story.

They talked of many things at first, but the conversation soon drifted naturally enough to finance. The Fourth National, it appeared, held a very considerable quantity of Liberty Bonds left over from the original subscriptions. Was the thing to do to hold them? Carlton wanted to know. Stafford, the bond man, had very definite ideas; the question was one, it appeared, to which he had given a lot of thought. Clearly he stated the case; the pros and cons. The chances, first, of possible tax and bonus legislation; the probable effects on various classes of bonds, in case it were to go through.

Carlton, the older man, was impressed. He liked Stafford, it was plain. "I'm going to ask you to do something for me," he said. "It will be about an hour before we get in, and during that time I want to ask you to answer some questions. I have had charge of the bond account of our bank for a good many years and I am not exactly what you would call a novice, but there are a lot of things about this bond business, particularly about the way it is conducted nowadays, that I don't know. Would you mind answering a few questions?"

Stafford, of course, would be delighted. It flattered him to think that the older man should want to ask him.

"All right then," Carlton began, "tell me this: Who are all these bond people up in New York from whom our bank is constantly receiving circulars? There's never a mail that doesn't bring a sheaf of them. We get 'em from the Cosmopolitan, from the Transcontinental, as well as from a lot of people I never heard of and many of whom I am sure don't amount to much. Who are all these people anyway, who make up your 'bond market' up there in New York?"

"Why," said Stafford, "like all Gaul they can be divided into three parts. First, there are the big fellows, the originators of the bond issues, the people who take the bonds from the railroads and the big industrial people, pay for them outright, and hand them along to us distributors to sell to our clients. Second, there are the distributors—our firm is one—who draw their bonds from the house that originates them, later retailing them to their clients at a profit. Third, there are the brokers, the people who take no position in bonds at all, but simply execute orders to buy and sell on a straight commission basis."

"But," Carlton said, "don't these three overlap? Are their functions entirely separate and distinct?"

"Yes," the bond man replied, "they do of course overlap to a certain extent. Many of the big originators—the two you mention are good examples—have extensive retailing organizations. The distributors, too, don't by any means confine themselves strictly to distribution; occasionally they also originate and handle a moderate-sized issue of their own—in addition to which practically all distributors of any size maintain first class trading departments, that is to say, facilities for buying and selling, which crowd in on the function of the broker."

"What you say about these big originators interests me particularly," the veteran banker remarked, "because this new business of a big originator acting also as a distributor is a comparatively new thing. When I first got into the bond business many years ago such a thing was practically unknown. The big fellows confined themselves strictly to buying bond issues outright from the railroads and big corporations, turning them over to other firms with retailing organizations for distribution to the investor. In those days they never did any direct selling themselves."

"Well," Stafford said, "they do now. Some of these big fellows maintain tremendous selling organizations, covering the entire country. A part of every issue that they buy they hand out to their distributors; a part of it they keep themselves for their own retail distribution."

"I should think," the banker said, "that that would make trouble. I should think that the issues they bought that were easiest to sell, they would keep mostly to themselves. The issues that weren't quite so easy to retail would be the ones, I should think, which the distributors would get the most of."

"They treat *us* all right," Stafford said, "and I'm not kicking. Of course, however, it has been known to work out that way."

"Then, these distributors you were talking about," the bank man continued, "these firms of which your own is one: just what do *they* do?"

"Help to distribute new issues through participation in syndicates," the other replied. "That, however, isn't by any means all. A firm like ours, for instance, is constantly digging out blocks of old bonds that they consider cheap, buying them outright, and re-offering them to their clients at a price showing them a profit."

"Of course, of course," the banker said, "every bond house, naturally, is dealing in bonds all the time. What I am thinking about just at the moment is this business of your participation in the syndicates formed by the biggest fellows who buy the big blocks of bonds outright from the corporations. That, I suppose, is the most important part of your business?"

"I don't know," the bond man answered, "whether I should quite say that it was the most important part of our business or not. At times it is; at times it isn't. When new issues in large volume are coming along, one after the other it is, of course, the thing to which we devote most of our attention. All these new things advertised in the newspapers creates a big customer demand for them, and, naturally, we have to keep ourselves in a position to supply these wants. In such times, too, it is likely to be comparatively easy selling and for a pretty fair profit. When the new things are going well you don't as a rule have to work very hard to sell them."

"I am glad you said that," the old banker remarked, "because that brings me directly to something else that I wanted to ask you. Is or isn't it the case that a firm like yours, when they once get on the syndicate list of one of the big fellows, has to take every new issue that house offers them?"

"I'm afraid," the bond man answered slowly, "that the answer to your question will have to be 'yes and no.' Our relations with many of the big fellows are such that we have no hesitation at all, when they offer us something we don't want, in telling them so and remaining out of the syndicate. There are, however, relationships where it doesn't work quite as easily as that—where you are expected to take whatever is offered you. That is," he laughed, "if you know what is good for your health."

"All right," the old banker said; "that's that side of it. On the other side—if the bonds are very good and you know you

(*Please turn to page* 639)

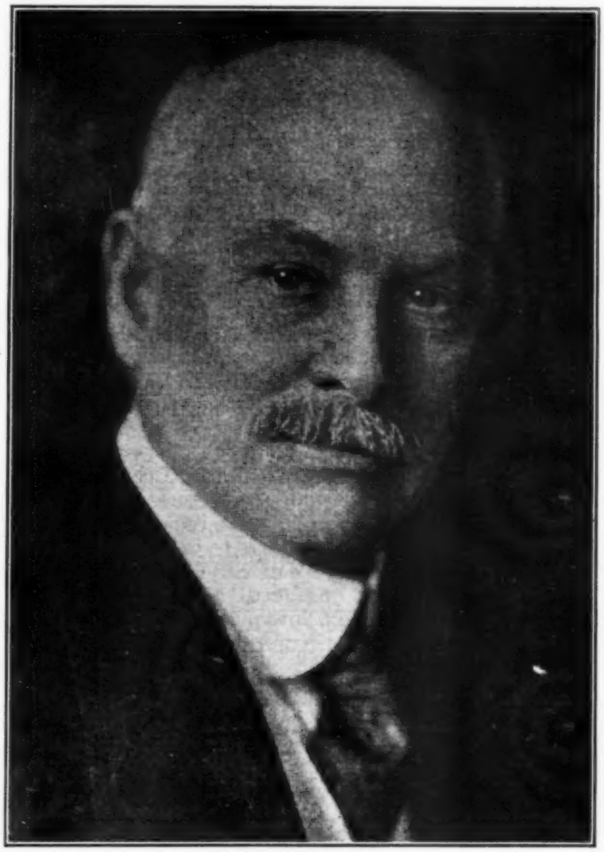
What Will U. S. Steel Do For Its Shareholders in 1924?

Last Big Extra Dividend in 1918—Will Company Pay Another?

LAST October 30, directors of the United States Steel Corporation met and declared, in addition to the regular dividend of 1¼% on the common stock, an extra dividend of ¼%. This was a small dividend as dividends go, but, coming at a time when business uncertainty was greater than for a very long period, its real value consisted of giving support to crumbling business sentiment. Since that time, the securities market, the real barometer of business, has been strong and active, and a general air of confidence seems to pervade most business circles.

Those in control of the policies of the United States Steel Corporation deem that, in addition to their specific corporate duties, they have a public function to perform. With this, most business people will agree considering that the company and the financial interests in control of it are conceded to wield a greater influence on business in this country than any other similar aggregation of capital. Therefore, it is obvious that at any given time the eyes of the business world will be centered on the state of affairs in this enormous industrial corporation.

The extra dividend of ¼% is now a matter of history, and the question is: What is the policy of the U. S. Steel Corporation likely to be in 1924? This question is considered here specifically from the shareholder's viewpoint.



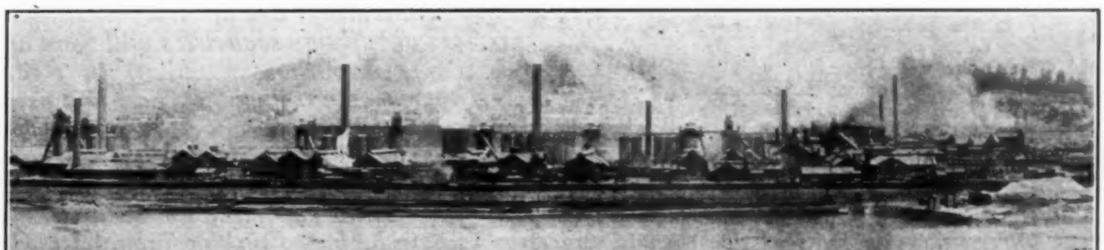
ELBERT H. GARY
Chairman U. S. Steel Corporation

To begin with, the Corporation up to last October had not declared an extra dividend since 1919, and in that year the extra amount paid over the regular dividend of 5% was 1%. In the two years previous, 1917-1918, the Corporation paid extras of 23½%, making total payments during this period of $33.50 per share on the common stock.

The above is stated merely to indicate that, far from being niggardly as some unobservant people have claimed, the United States Steel Corporation has really been most generous with its stockholders in the past. This generosity will become more apparent when it is considered that the employees of the company, who subscribe to the annual stock subscriptions, receive a very handsome bonus of $5 per share for every share held for five years from time of subscription. In other ways, the management has shown its interest in both employee and shareholder.

Bearing that in mind, there is no reason to question the directors' willingness to pay extra amounts in dividends when the occasion warrants such an act. Let us now see whether the present and prospective condition surrounding the company would warrant payment of such extra dividends.

In the first place, the financial position of the Corporation is extremely strong. The writer has not the space to describe the principal assets, but it is significant that in cash and Government securities alone, there are assets amounting to not less than (*Please turn to page* 628)



Edgar Thompson Works, Carnegie Steel Co., Bessemer, Penna.

St. Louis Southwestern Ry.
Texas & Pacific Ry.

Wheeling & Lake Erie Ry.
St. Louis-San Francisco Ry.

Four Promising Low-Priced Rails

Opportunities Presented by Securities Selling at Low Prices—Which Are the Best?

AS forcefully outlined in the first article in this issue, entitled "Has the Zero Hour Struck For the Rails?", basic conditions in the industry seem to indicate a situation potentially favorable to a considerable enhancement in the value of railroad securities. Of particular interest at this time is the position of the stocks of the so-called weaker roads. Issues of many of these carriers have for a long time been depressed because of the general uncertainty regarding the railroad outlook.

While this attitude has been logical in the several preceding years, it would appear that such a position is no longer justified, at least not to the former extent. The reason for this is that the condition of several railroad companies represented by heretofore unpopular securities is considerably improved as a result of the larger volume of general business incidental to the prosperity of 1923.

As a result of increased traffic and efficient measures of administration, many roads have been able to pull themselves out of a seemingly vulnerable position and are now showing the results of good financial and physical management. In several cases, the securities have evidently not yet fully discounted the improvement in the position of the companies which they represent. In the light of this situation, the attempt has been made in the preparation of this article to scour the field of promising low-priced railroad issues in the hope that several of them, at least, might offer suitable opportunities for readers of THE MAGAZINE OF WALL STREET. It is believed that such opportunities are presented in the analysis of the four following companies. It is worthy of notice that one great advantage of making a successful purchase in the group of low-priced stocks is that the percentage of profit is comparatively larger than in the purchase of higher-priced securities.

Wheeling & Lake Erie

6% Preferred Stock Attractive

THIS road traverses the rich coal regions of West Virginia and Ohio, and secures substantially more than half of its total traffic from products of mines. Its main line connects Wheeling, W. Va., Toledo, and Cleveland, Ohio. Mining products are transported from the coal regions to the industrial sections along the Great Lakes, and in turn, large volumes of manufactured products are carried back to the mining sections on return trips, thus giving the line a fairly well balanced traffic demand.

With the exception of last year, very poor showings in the way of earnings have been made for many years past, due to a number of major handicaps, such as over-capitalization and inadequate equipment. Interest payments were defaulted as far back as 1908, the property being sold under foreclosure in 1916, and a reorganization effected in the following year. While there was practically no change in fixed charges, as a result of the reorganization, the amount of preferred and common stock outstanding was increased considerably, and at the present time consists of 11.9 millions 7% cumulative prior preference preferred, 10.3 millions 6% non-cumulative preferred, and 33.6 millions of common.

In the six years ended December 31, 1922, the road reported alternate deficits after interest charges and small balances on the prior preference stock, which in every instance were totally insufficient to permit of dividends. Much better results would have been shown, however, had not maintenance expenditure been maintained at a high level. For the past four years, the annual average expenditure of the Wheeling & Lake Erie was approximately 2% in excess of those of other well maintained coalers, and the sum total of this amount in dollars and cents comes to about $2.50 a share per annum on the prior preference stock. The management has certainly not cut maintenance in order to make favorable reports to stockholders.

But the matter to be given the most consideration in this company's affairs is the showing made during the past year. For the first ten months of 1923, maintenance expenditures amounted to nearly 42% of gross, and nearly one million dollars in excess of normal requirements were expended for locomotive repairs alone. Just what the result of this was, is revealed by the fact that the percentage of unserviceable locomotives was reduced from 40% in 1922 to approximately 12% at the present time. And yet in spite of increased maintenance, net for the first eleven months amounted to 2.5 millions, compared with $331,000 in the same period of 1922, and prospects are that the entire year's report will show a balance of at least $6 a share on the 6% preferred. Had it not been for the extra expenditure of one million dollars, net for the preferred would have come to $16 a share. Inasmuch as heavy maintenance should not be necessary again this year, the road should have no difficulty in earning $10 a share on its preferred stock, and this estimate makes due allowance for a possible falling off in traffic as well as no reduction in transportation expenses.

While it is true that financial condition has been weakened by years of adversity, the profits of 1923 should correct this situation to quite some extent. Further-

Indications are multiplying that owners of railway securities will soon again come into their own. With Federal operation a thing of the past and private control evidently on a permanent basis, despite abortive efforts of the radical element, there is every reason to believe that value of railway securities can again be based on the financial position and earning power of the respective roads, without dragging confusing political aspects into the determination of such values.

more, the recent decision of the U. S. Supreme Court upholding the validity of the Recapture Clause of the Transportation Act of 1920, precludes any possibility of receivership. This and other systems will be able to borrow from the revolving fund created by the Government with the one-half of excess earnings collected from roads now enjoying a return greater than 5¾% on invested capital.

Prospects for Earnings on Preferred Stock

The 6% preferred stock is now quoted around 17, or below the high points reached in each of the past few years. Although the possibility of dividends is far removed, due to a $40 accumulation on the prior preference issue, there are other aspects which give the security elements of real attractiveness. Earnings are on the upgrade, physical condition of the company's property is good, and the stock has an actual equity valuation of around $82 a share, figured on a basis of 50 millions for the property, which is understood to be close to real valuation for rate-making purposes. A 5¾% return on this valuation would allow earnings of $9 a share on the preferred or more than 50% of the current market price. In the event of a consolidation with other roads, the issue would undoubtedly be assured of a fair return.

For the security buyer who will be content to hold the stock as a long-pull speculation, it appears to offer an unusually good opportunity. The common, of course, is purely speculative.

TEXAS & PACIFIC

Common Stock Apparently Undervalued

The Texas & Pacific but recently went through a financial readjustment, and it is understood that the receivership, precipitated upon it in 1916, will soon be lifted. As a result of the readjustment, the road now has a funded debt of approximately 43.3 million dollars, with annual fixed charges of 2.3 millions, compared with previous interest requirements of 1.75 million dollars. The total annual obligations ahead of the common stock have been increased about $600,000 or $1.50 a share.

Charges on Funded Debt Materially Decreased

This increase, however, will to a great extent be offset by a reduction in charges on unfunded debt, as well as by savings that can be effected through adequate working capital. All things considered, it would appear that the common stock has lost nothing in the way of value as a result of the reorganization plan.

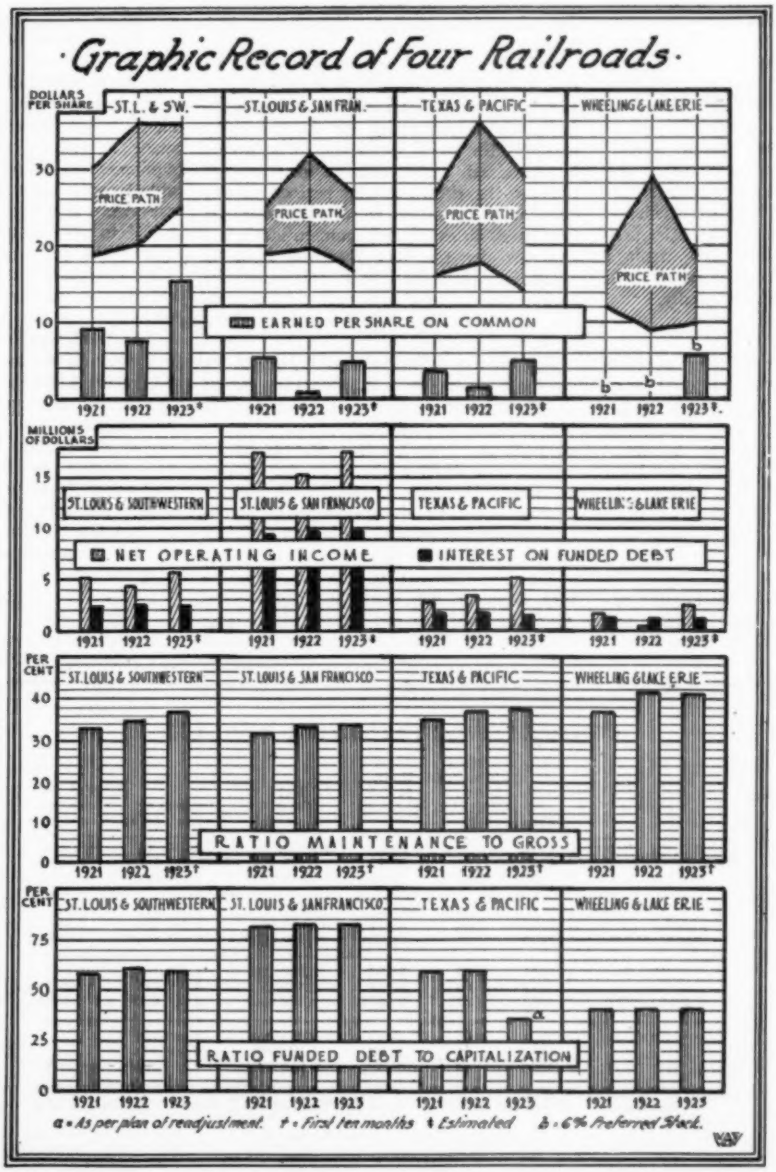
On the new basis of capitalization, earnings available for the junior stock issue would have been equivalent to an average of approximately $3.40 a share in each of past eight years. For the past year alone, earnings are estimated at about $5 a share, after very liberal expenditures for maintenance. The percentage of unserviceable locomotives and freight cars were reduced from 44.7% and 12.4% in November, 1922, to but 15.3% and 7.1%, respectively, in November of last year.

Physical Condition Improved

This improved condition of equipment and an improved financial condition, as a result of the funding of 4.4 millions of debts under the terms of the readjustment, should enable the company to make a very good showing during the current year. The territory which the road serves is in an unusually prosperous condition, due to the high prices received for cotton, and this will no doubt aid in maintaining a favorable volume of traffic. Its main line runs through Texas and Louisiana, connecting El Paso and New Orleans, and a substantial part of traffic carried consists of agricultural products.

As is the case with most other low-priced rails, there is no early prospect of dividends, but the future outlook is promising enough to warrant a purchase for ultimate appreciation in value. A 24.6 million dollar 5% non-cumulative preferred stock issue, given in exchange for an equal amount of income bonds under the readjustment plan, will have first call on dividend disbursements, and the management will no doubt strengthen the road's finances somewhat before paying anything to common stockholders.

The junior issue is now quoted around 21, which is a comparatively low level. The improved position of the company and the more favorable outlook for the small roads has evidently not as yet been discounted in the market price of the stock. It is



apparently entitled to a price more comparable with those of former years when the future was not nearly so promising.

St. Louis-Southwestern

Earning Nearly Fifty Percent on Market Value of Common

THE main-line mileage operated by the St. Louis-Southwestern system extends from St. Louis to Memphis, Little Rock, Shreveport, Fort Worth, Dallas and other points in this region. This road has been more prosperous than any other of the Southwestern carriers during the past year, having benefited materially from a generally improved physical condition, and a large volume of business in the territory served. Earnings on the common stock for 1923 are estimated to have been above $15 and possibly as high as $16 a share.

While this is an exceptionally good showing in itself, earnings in the two years previous were also far above the average for the so-called weaker systems, with net of $9.16 a share in 1921 and $7.72 a share in 1922. In the ten years ending December, 1922, gross earnings increased more than 100%, and net over 630%, practically all of this money being plowed back into property thu increasing the equity of the company's securities. Nothing was paid out in the way of dividends even on the non-cumulative 5% preferred until last year, although earnings during the decade were sufficient to have continued payments uninterruptedly.

Good Physical Condition

As a result of this up-building process, the road has attained a splendid physical condition which will undoubtedly be reflected in future operations. Financial position is also favorable to a reduction in expense account, cash on hand having increased from but $957,000 in 1914 to 3.3 millions at the close of 1922, and the large earnings of the past year have provided a still further increase. On the other hand, there has been a relatively small increase of but 4.4% in interest requirements during the past decade, and no additional capital stock has been issued.

In all respects, St. Louis-Southwestern is in a better position today than it has even been before, and apparently has a better outlook than the great majority of carriers. Funded debt is large but not burdensome, amounting to 60% of total capitalization. There is no accumulation of preferred dividends to be paid off before payments can be inaugurated on the common.

The junior stock issue is undoubtedly in a good buying position at present prices around $35 a share. While the company's management is very conservative and is likely to defer dividends until finances have been further strengthened, earnings are certainly large enough to warrant an annual disbursement of $4 or $5 a share even during the current year. All indications point toward a continuation of fairly large earnings, and once dividends are inaugurated on the common stock, there is every probability of their being maintained.

St. Louis-San Francisco

Last Year Best in Road's History—Outlook for Dividends on Six Percent Preferred

THE outstanding feature of this road in comparison with others in the same class is its large funded debt. As can be seen from the accompanying table, funded debt constitutes 83% of total capitalization, which is far above the average for the other three systems discussed in this article.

While this is, of course, usually to be regarded as an unfavorable condition, the fact must not be lost sight of that, during times of prosperity for the railroads, earnings for stock issues should be greatly increased just as large deficits are likely to be shown during periods of depression. In other words, the speculative possibilities of the common stock are enhanced by the fact that the issue is small in comparison with total capitalization, that is, at a time such as the present when the outlook is for a fair return on invested capital.

Due to the situation above referred to, net has varied to a considerable extent in the past few years, with a deficit of 11.2 millions carried to surplus at the end of 1920, and then a profit balance of 3.2 millions, or $5.50 a share, in the following year. Earnings for 1922 were equivalent to 55 cents a share despite the handicap of two strikes which hindered efficient operation of the property.

The best showing in the company's history, however, was made in the past year. Although earnings are estimated to have been around $5 a share, which is below the 1921 figure, the increased expenditures for maintenance more than accounts for the difference. In the first ten months of 1923, St. Louis-San Francisco succeeded in reducing the ratio of every class of expense, as compared with the same period of 1922, with the single exception of maintenance of equipment ratio. A higher equipment ratio resulted from the fact that the road was still suffering to some extent from the effects of the 1922 shop strike, as well as from the efforts made to reduce percentage of bad-order equipment. The percentages of unserviceable locomotives and unserviceable freight cars were brought down from 29.4% and 6.8% to 17.7% and 4.5%, respectively, during the year ending November, 1923. This compares very favorably with the results obtained by the class I roads as a whole.

The road was hampered by insufficient net working capital during the past year, but recent earnings will provide an ample amount of cash to take care of all requirements. With prospects for the continuation of good earnings, the question of dividends on the 6% preferred stock will probably come up during the current year. As this issue requires an outlay of but $450,000 annually, it is doubtful if disbursements will be postponed for long.

Conclusion

Prospects for dividends on the common which is now selling around 21 are, of course, far removed, but it should certainly advance to higher price levels along with the general improvement in the railroad situation and improved condition of the company's affairs. **While the stock does not appear to be as attractive as St. Louis-Southwestern common, or, perhaps, Texas & Pacific common, it is nevertheless an interesting speculation.**

COMPARATIVE STATISTICAL ANALYSIS

	Year	Ratio of Funded Debt to Capital't'n %	Ratio Maint. to Gross %	Net Oper. Income	Interest on Funded Debt	Earned Per Share on Common
ST. LOUIS SOUTHWESTERN RAILWAY	1921	59	33.29	$5,184,684	$2,250,797	$9.16
	1922	61	34.94	4,461,734	2,449,192	7.72
	1923	60	37.10a	5,900,000*	2,360,000*	15.35*
ST. LOUIS-SAN FRANCISCO RAILWAY	1921	82	31.93	17,463,452	9,665,878	5.50
	1922	83	33.51	15,248,507	9,887,795	0.55
	1923	83	34.00a	17,600,000*	9,868,841*	5.00*
TEXAS & PACIFIC	1921	60	35.00	2,382,148	1,792,166	3.89
	1922	60	36.94	3,629,472	1,755,683	1.39
	1923	37b	37.80a	5,200,000*	1,685,000*	5.00*
WHEELING & LAKE ERIE	1921	41	36.27	1,755,356	1,265,782	....
	1922	41	41.32	393,880	1,230,315	....
	1923	41	41.00a	2,600,000*	1,190,000*	c6.00*

* Estimated. a First ten months. b As per plan of readjustment. c On the 6% preferred stock.

Bonds

Armour & Co. | **Seaboard Air Line Ry.** | **Manhattan Ry. Co.**

Investment Opportunities in Low-Coupon Bonds

Three Attractive Issues that Appear to Be Undervalued

By JACKSON MARTINDELL

THE three bonds discussed in this article offer diversification as well as a good return and are therefore particularly desirable as investments. The first is an industrial, the second a public utility, and the third a railroad obligation. A fund equally divided among the three would give a current yield of 6.2% and 6.8% to maturities.

PRACTICALLY all corporation bonds bearing low-coupon rates date back to that period in our history when conditions were unusually favorable for financing. During the thirty years from 1870 to 1900, this country witnessed a remarkable increase in production of goods, and a consequent accumulation of capital seeking investment. Bond prices were going higher and higher, with yields steadily declining from an average of 8% to but 3.75%, or the lowest point ever recorded. Money was plentiful and credit could be had for the asking.

This state of affairs enabled many well-established organizations to secure long-term funds on a very satisfactory basis, that is, from their point of view. New offerings were equipped with coupons ranging from 3% to 4½%, and then placed on sale at prices comparable with those now existing for 5% and 6% bonds of the same class. Subsequent changes in market conditions and the varying fortunes of different corporate bodies have brought about a great change in low coupon bond prices. A few issues have held up well due to increasing security behind them and their close approach to maturity. The prices of others, some good and some bad, have drifted down to materially lower levels, where the yield is more in harmony with prevailing money rates or the risk involved.

There are certain definite advantages to be had in the purchase of worth-while bonds in the low coupon class which should not be overlooked by investors. For one thing, a lesser amount of capital is required to buy the same face value amount. Whereas a 6% bond, maturing in twenty years, might be selling at par, and call for an original investment of $1,000, a bond secured by the very same mortgage and maturing on the same date, but having a 4% coupon rate, could probably be purchased with $770 of principal. The yield to maturity would be approximately the same, and the equity behind the bonds would, of course, be equal. Current return on money invested in the 4% issue would be smaller, but yearly appreciation in market value, to which it would ordinarily be entitled, offsets this difference.

Another factor which adds to the comparative attractiveness of the great majority of low coupon bonds is the length of time over which they have weathered financial storms. Many have passed through periods of economic and financial readjustment in which other and less seasoned securities might have easily succumbed.

But probably the matter of greatest importance is their better opportunity for enhancement in value. Other things being equal, discount bonds (in which class practically all low coupon issues belong) advance in price much more easily than those selling at a premium above par. This is due to the fact that many investors are unwilling to pay premiums, and also because redemption prices, in many cases, tend to depress the market for high coupon premium bonds.

The three issues chosen for discussion in this article each represent an investment in a different field of business, and thus afford the prospective investor an opportunity to secure a fair degree of diversification. The combined return is also attractive. With the general return of favorable conditions in the money market such as existed at the time of issuance, these bonds should sell a great deal closer to par than at present, that is, in addition to the rise to which they are entitled as date of maturity draws nearer. All three are listed on the New York Stock Exchange.

Armour Real Estate 4s Well Secured

An Attractive Investment Opportunity

PART of this issue was offered to the public in 1909 at 95½ and interest, and an additional offering was made in 1916 at approximately the same price. The comparatively late date of issue accounts for the coupon rate being higher than the average for the low coupon group.

STATISTICAL COMPARISON

Company	Total Funded Debt	*Net Tangible Assets	Pfd. Stk. Outstanding	Com. Stk. Outstanding
Armour & Co.	$144,000,000	$419,975,000†	$132,762,000	$100,000,000
Manhattan Ry. Co.	45,205,400	112,915,000‡	....	60,000,000
Seaboard Air Line Ry.	151,714,200	210,170,000¶	23,931,400	37,019,400

* Applicable to bonds. † As of June 30, 1923. ‡ As of June 30, 1922. ¶ As of Dec. 31, 1922.

The bonds are a direct obligation of the company and are secured by an indenture executed by Armour & Co., as mortgagor, and by the Armour Packing Co., Armour & Co., and Armour Car Lines, as joint mortgagors. They are a first mortgage on packing houses, real estate, etc., in Chicago, Kansas City, Minneapolis, Fort Worth, East St. Louis, and Sioux City, Ia.; also upon warehouses in Kings County, New York, and New York City. Still further security is given by the pledge of 8.6 million dollars of two underlying 5% bond issues which constitute first mortgages, respectively, on other property and factories.

It is provided in the indenture that the aggregate unencumbered quick assets of the company and its several subsidiaries shall at all times exceed debts, or in other words, the net working capital MUST be a plus quantity. Amount of the bonds now outstanding is 50 million dollars, or the entire authorized issue. They are redeemable at 102½ and interest on any interest date upon twelve weeks notice. Funded debt totals but 144 million dollars, compared with net working capital of 129 millions as of June 30, 1923. Net tangible assets appreciable to all bohd issues are equal to more than twice the entire amount outstanding.

The one and only factor that prevents this bond from being classed as of the very highest grade is the company's poor earnings during the past few years. Prior to the war and during the war period, interest requirements were earned many times over, as for instance, in 1913, when net income was 5.5 times requirements. The meat-packing business was a decidedly unprofitable one in 1921 and 1922, however, and in the previous year alone, Armour & Co. reported a total deficit of something like 37 millions. Needless to say, this loss was several times as large as interest requirements, and fixed charges had to be paid from surplus. Deficit in 1922, was much smaller, coming to about 12 million dollars.

Results for the past year show conclusively that the company has regained its old earning power to a very great extent. Net income was more than twice interest requirements on a greatly increased funded debt, and net earnings available for stock issues came close to 10 millions after taxes. A record volume of business was handled, and another good year is anticipated in 1924. There is nothing in the outlook to warrant the belief that anything but a satisfactory showing will be made.

Why the 4½s of 1939 Are Attractive

In the final analysis, it would appear out of the question that even conditions so unfavorable as to necessitate a drastic reorganization, could affect the interests of the holders of the first mortgage bonds. The equity for this particular issue has not been made public in recent years, but it is reasonable to believe the properties covered in the indenture have an actual value nearly three times the par amount of the bonds outstanding, to say nothing of the proportion of net working capital available for the issue.

The future holds promise of a growing business with increased security behind the bonds. In fact, the prospects are now brighter than in any time in the past three years. Yet how do present and past prices for the 1st Mtge. 4½s compare? In 1921, the worst period of all in the company's history, the bonds sold as high as 88, reached 94 in 1922, and 90 in the past year. **Compared with these prices, present quotations of 86 seem decidedly low. The current yield is 5.20%, and approximately 6% to maturity.**

Manhattan Railway 4s Offer High Return

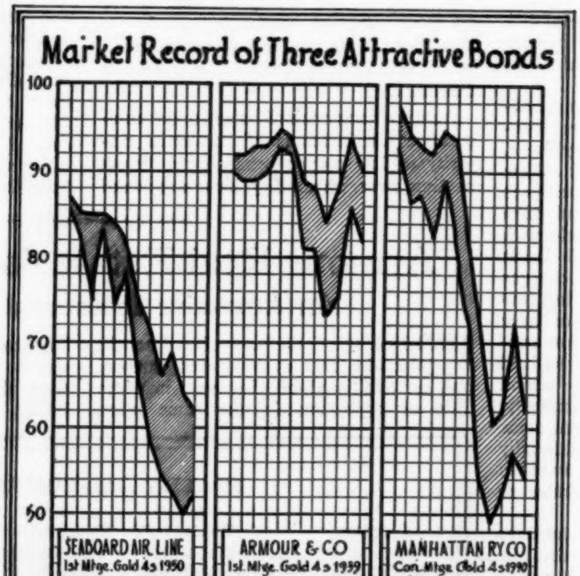
Cons. Mtg. 4s of 1990 An Unusually Attractive Bond

MANHATTAN RAILWAY CONSOLIDATED 4s are now a first mortgage on the entire property of the company, which includes practically all elevated railroads in the Boroughs of Manhattan and the Bronx, New York City. Total trackage is 129 miles, third rail electric. The company also owns a bridge over the Harlem River, and has extensive real estate holdings in various parts of the city.

The bonds were first offered to the public in 1890 at a price of 96, subsequent and additional offerings being made from time to time around the same figure. Amount now outstanding totals 40.6 million dollars and these are prior in lien to a second mortgage of 4.5 millions, which is in turn followed by 60 millions of capital stock. Net asset value of the property as shown on the books is approximately 112 million dollars. The franchises of the company are perpetual.

In 1903, the entire system was leased to the Interborough Rapid Transit Co. for 999 years at an annual rental of interest on bonds, and 7% dividends on the capital stock. For a number of years, net revenue was more than sufficient to provide these charges. What happened in the past six years, however, is an entirely different story. The high operating costs that began to plague traction companies along about 1918, cut Manhattan's net considerably, and finally led to a readjustment of the lease of the property to the Interborough Rapid Transit Co. As per the plan of readjustment, dated May 1, 1922, the dividend on capital stock is to be paid only when earned, and at the rate of but 4% until July, 1924, and 5% thereafter.

Although net for the past few years has not been large on the stock issue, the amount available for the first mortgage bonds has been substantially in excess of requirements. In the six years ending June 30, 1923, income applicable to interest charges on the issue averaged approximately three times the amount required, and yet this was the worst showing ever made by the company. Although there seems to be no danger of income falling below fixed charges, it is worth-while to know that additional security is offered in the form of a guarantee as interest by the Interborough under the terms of the lease.



At present prices around 58, the bonds yield 6.8% currently and approximately 7% to maturity. This is indeed an attractive return from a bond so well secured by both assets and earnings. The issue is selling far below its high prices of previous years, and is not many points above the lowest point ever recorded.

Explanation of this is probably the fact that the investment public is fearful of political agitation, and has doubts as to the future welfare of all traction companies. The Manhattan Railway system is a vital necessity to the City of New York, and could hardly be dispensed with. **There is apparently nothing in the outlook that would warrant the belief that the safety of**

(*Please turn to page 632*)

BONDS

Market Moves Upward—Speculative Bonds Feature

FUNDAMENTAL conditions found reflection in the bond market during the past two weeks, with the result that bonds moved to new high levels. Of course, the main incentive behind the upward trend was the continued easing in money rates. With call money at 3½ and 4% and fixed maturity loans as low as 4¾%, the higher yield obtainable from bonds is attractive to investors. The ensuing demand for high-grade issues has resulted in a gradual upbidding of quotations and they are now at the highest level in the past twelve months. However, with indications that money will continue in plentiful supply, the outlook is for somewhat further appreciation in prices.

Speculative Issues Active

While gilt-edge securities sold at around their best prices, greater activity than usual was manifested in the speculative issues and especially in the railroad division. The decision of the Supreme Court upholding the validity of the re-capture clause of the Interstate Commerce Act resulted in very active demand for the junior securities of the weaker roads and substantial advances were recorded in a number of these issues. The Chicago, Milwaukee & St. Paul bonds enjoyed the best rally in several months. The recent marketing of 14 millions 6s, indicating the feeling in investment circles that the road would work out its salvation, followed by official reports that interest charges were earned in 1923, caused a better feeling to permeate in speculative circles and the St. Paul bonds were in demand at advancing prices. New Havens were also strong, especially the franc 7s, although, in this case, the road is not yet earning fixed charges by a considerable margin. Recent favorites, such as the St. Louis & San Francisco, Erie, Seaboard Air Line and Missouri, Kansas & Texas issues, although at times subject to profit taking by purchasers at lower prices, held their advances with numerous buyers at around the best prices for the present movement.

Among the public utilities, the Interborough Rapid Transit 5s sold at 62, up 2, and American Water Works & Electrical collateral 5s changed hands at 86, a new high. Hudson & Manhattan refunding and income 5s were strong, and Virginia Railway & Power 5s sold at 90. Other public utilities shown in the Bond Buyers' Guide improved their recent levels, as will be noted by reference to quotations.

Industrial issues likewise followed the advancing trend. Cuban Cane Sugar 7s, which a month ago sold at 89, reached 99, and were the leaders among the sugars. Coppers and oils were firm. American Agricultural Chemical 7½s held well at slightly above par, but the Virginia-Carolina Chemical issues were unable to hold their recent advance.

BOND BUYERS' GUIDE

		Apx. Price	Apx. Yield	¶Int. earned on entire funded debt
HIGH GRADE (For Income Only)				
Non-Callable Bonds:				
Baltimore & Ohio, 4s, 1948	(b)	83	5.25	1.35
Canadian Northern Debenture 6½s, 1946	(a)	112	5.00	*
Delaware & Hudson 7s, 1930	(b)	108	5.50	2.10
Great Northern Genl. 7s, 1936	(c)	107	6.20	3.75
New York Central Rfd. and Imp. 5s, 2013	(c)	‡96¾	5.20	1.65
Western Union Telegraph Co. 6½s, 1936	(a)	109½	5.60	e 6.00
New York Edison Co. 6½s, 1941	(b)	†111	5.50	2.30
Bush Terminal Buildings 5s, 1960	(a)	91¼	5.60	1.85
Callable Bonds:				
Armour & Co. of Del. 1st 5½s, 1943	(c)	91½	6.25	5.00
Armour & Co. Real Estate 4½s, 1939	(a)	86¾	5.80	....
Canadian General Electric deb. 6s, 1942	(a)	103½	5.75	4.40
Duquesne Light Co. 6s, 1949	(b)	104¼	5.65	3.40
Philadelphia Company 6s, 1944	(c)	101	5.90	3.50
Short-Term Bonds:				
B. & O., P. J. & M. 3½s, 1925	(b)	96¼	5.50	1.35
B. & O., Southwest Div. 1st mtg. 3½s, 1925	(b)	97	5.60	1.35
Seaboard & Roanoke 1st 5s, 1926	(a)	97¼	6.25	....
Southern Pacific conv. 4s, 1929	(a)	93⅛	5.40	2.40
Union Pacific conv. 4s, 1927	(b)	96	5.20	3.10
Dominion of Canada Internal 5½s, 1927	(d)	100¾	5.30	....
Bell Telephone Company of Canada 5s, 1925	(b)	97½	5.85	2.75
Aluminum Company of America 7s, 1925	(a)	102	5.90	....
Columbia Gas & Electric Co. 1st 5s, 1927	(b)	97½	5.90	0.90
Rock Island-Frisco Terminal 5s, 1927	(a)	97	6.10	....
MIDDLE GRADE (For Income and Profit)				
Railroads:				
Carolina, Clinchfield & Ohio 1st 5s, 1938	(c)	94	5.60	1.45
Chesapeake & Ohio conv. 5s, 1946	(b)	91½	5.70	1.58
Cuba R. R. 1st 5s, 1952	(a)	83	6.30	2.45
Chicago & Eastern Illinois Gen. 5s, 1951	(c)	78	6.75	f 1.15
Erie & Jersey 1st 6s, 1955	(a)	93	6.50	1.31
Kansas City Southern Rfd. and Imp. 5s, 1950	(a)	86¾	6.00	1.90
Missouri, Kansas & Texas Prior Lien 5s, 1962	(c)	82	6.25	1.10
Minneapolis, St. Paul & Sault Ste. Marie 6½s, 1931	(a)	103	6.00	1.50
N. O. & N. E. Rfd. and Imp. 4½s, 1952	(a)	83	5.75	2.70
St. L. & S. F. Prior Lien 4s, 1950	(c)	68¼	6.50	1.10
Western Pacific 1st 5s, 1946	(c)	83½	6.40	2.30
Industrials:				
Anaconda Copper Mining Co. 1st 6s, 1953	(b)	97½	6.20	g 1.25
Bethlehem Steel Co. 5s, 1936	(a)	91	6.00	2.30
Computing Tabulating & Recording 6s, 1941	(b)	99	6.10	5.50
Goodyear Tire & Rubber Co. 8s, 1941	(c)	117	6.30	5.80
B. F. Goodrich 1st 6½s, 1947	(b)	100	6.00	2.70
Sinclair Pipe Line 6s, 1942	(b)	85	6.30	g 3.50
South Porto Rico 1st Mtg. and Col. 7s, 1941	(b)	101	6.90	2.20
Union Bag & Paper Co. 6s, 1942	(b)	97¼	6.30	dd 4.00
U. S. Rubber 5s, 1947	(c)	86¼	6.10	4.00
Wilson & Co. 1st 6s, 1941	(a)	97	6.30	1.35
Public Utilities:				
Amer. Water Works & Elect. Corp. Col. 5s, 1934	(c)	86	6.90	1.80
Dominion Power & Transmission 1st 5s, 1932	(a)	89	6.60	2.10
Denver Gas & Elec. 1st and Rfd. 5s, 1951	(c)	87	5.95	e 4.70
Havana Elec. Ry. Light & Power 5s, 1954	(a)	83	6.25	5.00
Manhattan Railway Cons. 4s, 1990	(a)	58½	6.90	g 0.90
Montreal Tramways 5s, 1941	(c)	87	6.25	g 1.25
Pacific Gas & Elec. Genl. and Rfd. 5s, 1942	(a)	92½	5.65	2.05
Public Service Corporation of N. J. 5s, 1959	(a)	82	6.25	1.75
Utah Power & Light 5s, 1944	(a)	89¼	5.90	1.60
United Fuel Gas 6s, 1936	(b)	94½	6.60	5.85
Virginia Railway & Power 5s, 1934	(a)	90	6.30	1.90
SPECULATIVE (For Income and Profit)				
Railroads:				
Chicago Great Western 1st 4s, 1959	(a)	52	8.10	0.88
Erie Genl. Lien 4s, 1996	(b)	54½	7.50	1.31
Chicago, Milwaukee & St. Paul conv. 5s, 2014	(c)	57¾	8.70	1.09
Iowa Central 1st Mtg. 5s, 1938	(a)	63	9.75	0.80
Minneapolis & St. Louis 1st cons. 5s, 1934	(a)	66	10.40	....
Missouri, Kansas & Texas Adj. Mtg. 5s, 1967	(c)	55½	9.20	1.10
St. Louis & San Francisco Adj. Mtg. 6s, 1955	(c)	76¼	8.10	1.10
Rock Island, Ark. & Louisiana 1st 4½s, 1934	(c)	75¼	7.90	....
Seaboard Air Line 4s, 1950	(a)	61	7.40	1.14
Western Maryland 1st Mtg. 4s, 1952	(a)	61¾	7.20	1.90
Industrials:				
Cuba Cane Sugar 7s, 1930	(c)	99	7.20	1.80
Empire Gas & Fuel 7½s, Series "A" 1937	(c)	92½	8.40	3.30
International Mercantile Marine 6s, 1941	(b)	81½	8.00	3.25
Virginia-Carolina Chemical 7s, 1947	(c)	83	8.70	1.20
Wilson & Co. 7½s, 1931	(a)	98½	7.75	aa 1.35
Public Utilities:				
Chicago Railways 1st 5s, 1927	(a)	76½	15.00	1.08
Federal Light Traction 7s, 1953	(b)	100	7.00	2.10
Interboro Rapid Transit 5s, 1966	(a)	61½	8.30	0.90
Third Avenue Railway Rfd. 4s, 1960	(b)	54½	7.85	‖ 1.35

* Principal and interest guaranteed by Dominion of Canada. † Callable in 1931. ‡ Callable in 1936. ¶ This represents the number of times interest on the companies' entire outstanding funded debt was earned, based on earnings during the last five years. Includes government payments during period of government operations of railroads.

(a) Lowest denom., $1,000. (b) Lowest denom., $500. (d) Lowest denom., $50. (aa) 1922. (c) Lowest denom., $100. (dd) Average last two years.

e Average last three years. f 1922. g Average last four years. ‖ Does not include interest on adjustment bonds.

Money, Credit and Business

This amazing article was written by Mr. Knappen after conference with a number of important economic authorities, notably Professor David Friday, eminent economist and director of the Department of Research of the National Transportation Institute. The article is presented in two parts of which the first appeared in the January 19 issue.

Is the Industrial Center Shifting to the West?

2.—Is New England Passing As a Great Manufacturing Center?—The Beginning of a New Distribution of Industry

By THEODORE M. KNAPPEN

THE present or old manufacturing cities and regions of the United States were the results of the environment, transportation and social conditions that prevailed when they began to develop. These are now more or less altered and are likely to be still more altered, though some of the present and future changes will be conflicting in their effects. New England attained manufacturing supremacy in the beginning because of water power that met the requirements of that time, the inventive genius and commercial resourcefulness of its population, its development of foreign trade and shipping, and the accumulation of capital by a thrifty people.

Being on the ocean, it was well placed for manufactures intended for foreign consumption. Even when steam power became important, it was economical to haul coal and raw materials long distances to unite in the production of goods for local or export markets. But New England now finds herself remote from the center of the principal market, the home market, and also far from coal and most of her raw materials. (Cities like Salem and New Bedford have relatively declined with the eclipse of foreign and domestic trade.) An immense waste of cross-hauling, instead of hauling in the direction of ultimate consumption, has followed.

New England at Disadvantage

The unfortunate geographical and economic position of New England as a manufacturing region under present conditions was emphasized during the war when the problem of supplying her with coal and raw materials through other manufacturing districts and centers of transportation congestion, and then hauling her products back through the same routes was almost insuperable and added immensely to the labors and difficulties of producing and moving war supplies. The industries could not be moved during the stress of war, though the War Industries Board did contemplate making a study of the deliberate re-location of industries to meet the requirements of transportation and consumption. The difficulties are not so urgent in time of peace, but they are there, and would seem to make for the gradual passing of New

THE TREND FROM NEW ENGLAND
A Southern cotton mill, illustrating the tendency of industry to move away from old industrial centres

England as a great manufacturing region. There are some offsetting considerations, however; such as the presence of a large and trained working population, possibilities of vast hydro-electric development on the St. Lawrence with long-distance transmission lines, the expansion of foreign trade, the stimulating effect of the Panama Canal on intercoastal commerce, and the proximity of large consuming populations. Just as population drew industries to Los Angeles, it holds them in New England. Nevertheless, New England, though she may not decline in absolute manufacturing output, has lost, and will probably continue to lose, relatively.

The Pacific Coast

On the Pacific Coast, proximity in this age of electricity to 72 per cent of the potential hydro-electric power of the United States, due to the Rocky and Cascade mountain systems, makes for great manufacturing development; combined as this advantage is with nearness to forest products, minerals and much agricultural wealth. On the other hand, there is the retarding influence of great distances from the major consuming centers of the domestic market.

So far we have considered only major regional or group re-locations of industries or tendencies thereto. There are many forces making for redistribution of industries within regions. Just as manufacturing as a whole just grew, instead of being planned, wherever it happened to start, so individual plants now find that they have not grown in the right locality. Thousands of factories have been established where they are simply because they happened to be the homes of the men who conceived them. They have found or are finding themselves disadvantageously placed to meet competition.

New and better transportation routes may have side-tracked them, as when canals and rivers have yielded to railroads; or as when new railway lines have been built and new terminal centers have been established by chance or design, or labor may have deserted them for more congenial surroundings. Looking out of a car window almost anywhere you will see abandoned factory buildings. They betoken failure because of improper location or removal to overcome this disadvantage. Sometimes the old location may be satisfactory with respect to transportation, markets, labor and materials, but unsatisfactory with regard to capital and banking facilities.

Removal to a more favorable location is often prompted for that reason. Most of these factors point away from the smaller towards the larger cities—or at least they have until recently. But now we are coming to a period when some cities are too large to be favorable to some industries. The congestion of railway terminals may offset the apparent shipping and receiving convenience of the grouping of such facilities. Intramural passenger and freight transportation may be so burdened and inefficient as to constitute a handicap on industry. It is important to have labor residing near the plant, and the best of local traffic facilities. Density of competing or allied industries in the great cities make labor shifting easy and labor turnover great. Labor is more independent and arrogant, better organized and less amenable to discipline. Its environment is uncongenial, perhaps, and the workers are unhappy. So, we see Henry Ford planning what may be called a horizontal disintegration of industry, if not an actual re-location on a large scale; even when he is developing perpendicular integration, from forest and mine through all manufacturing stages to the automobile which is in the garage of the buyer of his car.

INDUSTRIAL management is now commencing to give thought to a new study of distribution and transportation costs. As competition becomes more keen and costs of operation rise, so does the need for efficient location become paramount. Already changes are taking place in the industrial map of America. Manufacturing centres of yore are abandoned for new centres. Business shows a tendency to concentrate and not spread out all over the map. The question is being asked: Does a national market pay? Some concerns are answering it by abandoning national selling campaigns and concentrating on home territory. This is a new development for American business. Its importance will become more apparent within the next few years.

Rush for Water Power

Every little water power is to be the nucleus of a moderate industry. Re-locations of this sort are apt to relate to relatively short removals and are based upon existing urban centers; they may even be called extensions of metropolitan areas in order to overcome the unfavorable effects of crowding. The New York clothing industry is experiencing a change of this kind, though it is also tending to scatter beyond the metropolitan district. The rapid growth of automotive traffic is a large factor in these shiftings.

The factors of distribution and transportation costs are beginning to work changes in the locations of industries, as managers and owners begin to consider whether they are rightly placed. Industrial and economic engineers report a marked tendency to give up business extension for intension. The lure of the national market fades before the practical advantages of the adjacent market.

A northwestern manufacturer, for example, was selling his product all over the country. His plant was modern and efficient, its management was exceptionally good and the demand overtaxed his capacity. Yet he was not making money.

"What's the matter?" he asked.

"Concentrate your selling," said the business engineer.

"What do you mean?"

"Look at your selling costs on your distant sales."

He looked, and looked carefully, and found that he was actually losing money on a large proportion of them. Then he examined the consuming capacity of the home-trade region, and found that by intensifying his selling organization on that he could place in it his entire output. He did so, reduced his distribution costs about 75 per cent, and is now exceedingly prosperous.

Manifestly, this tendency makes for the disintegration of big business, at least in the sense of promoting the splitting up and re-location of factory units. Also, it sometimes spells a re-location of a single-plant business. On the whole it makes against concentration in a few centers, and tends to reduce existing concentration.

Apropos of this particular diffusive tendency, there is the big question of whether many industries, or plants, are not too large for economical production and distribution. The tendency in America has been, for three decades, decidedly in favor of horizontal integration of industry, but when the studies of this question that are now going on and are in prospect are concluded, it may be found that smaller units within certain limits, are more efficient and more economical. Henry Ford evidently thinks so. Detroit is no longer the only Ford town.

American industry has grown by additions from starting points chosen helter-skelter. It has also grown without regard to distribution costs and with sublime indifference to the capacity of its markets. It is now lop-sided and sometimes over-grown. The stern necessities of international competition, heavy taxation, and the fact that American standards of living can no longer be maintained by reckless drafts on natural riches, relentlessly drive it to greater productivity for every dollar and labor unit. Waste in every form must be reduced. Mr. Hoover says we can save enough by introducing mind into business to pay all the costs of government, national, state and local. And one of the greatest savings will be the re-location and perhaps the splitting up of industrial plants. This redistribution is only beginning.

The investor will need more than ever

(*Please turn to page* 647)

School for Traders & Investors

Twenty-Third Lesson

A Few Don'ts for Inexperienced Traders

Some Self-Imposed Handicaps That Should Be Avoided — Patience as an Asset

ALTHOUGH these observations are made in the interest of the trader of limited experience, undoubtedly there are times when the speculator who has had many years practice might do well to review his impulses and propensities, to observe whether he is not more or less unconsciously falling into some of the very habits that he knows are among the most serious handicaps to successful operations.

Soon after the young trader considers himself graduated from the "paper trading," or amateur class into the ranks of the professionals, and begins to operate with real money, he is likely to develop certain proclivities that may become sources of great danger if they are not deliberately guarded against and controlled. This is especially the case if numerous early trades are profitable and encouraging. Just as there is a tendency to over-expansion in industry during boom periods, so the young trader is led on by a few profitable turns, and is tempted to over-trade.

Danger of Over-Trading

Over-trading is perhaps the greatest curse of the young trader. Whether it be due to enthusiasm over the prospect of apparent progress in the venture, or to the insidious development of the smallest fraction of avarice in his personality, the result is the same, namely, the degeneration of a possible latent ability for trading into a delusive propensity for gambling.

Don't do it! Don't try to operate on a thin margin. You know it is dangerous, and that the slightest unfavorable price movement will make your position vulnerable, however secure it may seem in the beginning. The moment you are in real danger your judgment is impaired, you begin to depend on the opinions of others and on hope. Whenever hope is the excuse for maintaining a position it is time to get out of the market, for your mental machinery is running wild and a crash may be imminent.

On the other hand, if you have carefully estimated the trend, based on a study of the outstanding technical and fundamental considerations involved, and have made due allowances for normal rallies or reactions, you will have no doubt regarding the result of your trade if your position is secured by adequate margin. With ample marginal protection, you should receive no impulse to relinquish or reverse your position for any other reason than the development of new technical conditions in the market which may demonstrate to your unbiased judgment that the original decision is no longer consistent. Not until then should you be influenced to close out, either for the purpose of accepting a profit or limiting a loss.

A special form of over-trading is the reckless pyramiding on the increasing profits from open trades. When everything is coming your way for a brief period, you are tempted to relax your vigilance and overdo the matter of putting your additional equity to work. Instead of strengthening your marginal position as you approach the time for the inevitable reaction, you throw caution and conservatism aside and proceed to construct a house of cards that is ready to collapse at the first gust of ill wind.

Don't do it! A more conservative and a safer policy would be to stand pat on your original carefully chosen position until the increasing equity has provided sufficient additional margin to absorb any normal reaction, then take on such additional units as may be carried without impairing the safety of the entire line.

Another Temptation

Another form of over-trading is to yield to the temptation to buy some of

(*Please turn to page* 646)

DON'T

—Operate on a Thin Margin.

—Pyramid without surrounding your trade with the fullest safeguards.

—Yield to Temptation of Buying "Everything on the List."

—Lay Your Plans Carefully and Then Forget All About Them in Making Your Market Commitments.

—Try to Be in the Market Every Minute.

The wise investor or speculator always has his funds in such a position as to take the most complete advantage of the available opportunities. He does not weaken his position by yielding to the numerous temptations that beset the speculative path and which have proved the undoing of countless well-meaning individuals. The wisest investor or speculator is the one who uses the most common sense in his market operations.

THE TREND IN LEADING INDUSTRIES

	SUPPLY OF BASIC ELEMENTS				COST OF PRODUCTION				DEMAND			OUTPUT		PRICES		PROFITS
	Labor	Raw Materials	Fuel	Transportation	Labor	Materials	Fuel	Transportation	Unfilled Orders	Stocks on Hand	Shipments	Raw Products	Finished Products	Raw Products	Finished Products	Of Leading Companies
STEEL	Adequate	Adequate	Adequate	Surplus Cars	Unchanged from high point	Below high levels of 1923	Lower	Unchanged	Slightly increasing	Not excessive	Fairly large	Slowly increasing	Slowly increasing	Firm and rising	Firm and rising	Should show some increase
COAL	Adequate	Adequate	—	Surplus Cars	Possible wage demand	Below high levels of 1923	—	Unchanged	Decreasing	Very large	Some decline	Decreasing	—	Lower	—	Decreasing
BUILDING	Shortage expected later	Adequate	Adequate	Surplus Cars	Higher wages in prospect	Increase probable	Lower	Unchanged	Increasing	—	Increasing	—	Increasing	—	Real estate high	Good profit margin
OIL	Adequate	Adequate	—	Surplus cars	Unchanged	Slight increase probable	Lower	Unchanged	Increasing	Decreasing	Increasing	Decreasing	Increasing	Higher	Higher	Increase in sight
COPPER	Adequate	Adequate	Adequate	Surplus Cars	Unchanged	Slight increase probable	Lower	Unchanged	Slightly decreasing	Decreasing	Decreasing	Decreasing	Decreasing	Lower	Lower	Decreasing
CHEMICALS	Adequate	Adequate	Adequate	Surplus Cars	Unchanged	Slight increase probable	Lower	Unchanged	Increase expected	Decreasing	Decreasing	Decreasing	Increasing	Mixed tendencies	Mixed but increase probable	Mixed, with improvement expected
TEXTILES	Adequate	Short cotton; wool and silk ample	Adequate	Surplus Cars	Possible increase	Cotton high; wool and silk increasing	Lower	Unchanged	Mixed outlook	Rather large	Decreasing	Cotton short; wool and silk ample	Slightly decreasing	Mixed tendencies	Mixed tendencies	Mixed; may improve later
AUTOMOBILES	Adequate	Adequate	Adequate	Surplus Cars	Possible increase	Slightly rising tendency	Lower	Unchanged	Seasonal increase	Not excessive	Increasing	—	Increasing	—	Somewhat lower	Seasonal increase due
TIRES	Adequate	Adequate	Adequate	Surplus Cars	Possible increase	Slightly rising t.ndency	Lower	Unchanged	Seasonal increase	Inventories reduced	Increasing	—	Increasing	—	Stabilized	Seasonal increase due
LEATHER	Adequate	Adequate	Adequate	Surplus Cars	Unchanged	Possible decrease	Lower	Unchanged	Slight increase expected	Inventories reduced	Possible increase	—	Increasing	Stable	Probable decrease	Probable increase
PAPER	Adequate	Adequate	Adequate	Surplus Cars	Unchanged	Possible decrease	Lower	Unchanged	Slight decrease	Inventories increased	Possible decrease	—	Slight decrease	—	Probable decrease	Fair; possible decrease
TOBACCO	Adequate	Adequate	Adequate	Surplus Cars	Unchanged	Possible increase	Lower	Unchanged	Very large	Not excessive	Should increase	Not large	Increasing	Firm	Lower	Satisfactory

Five Industries Which Are Emerging From Depression and Are Being Galvanized Into Activity and Prosperity

A STAFF ANALYSIS

TO the casual observer, it seemed that last year, which was one of unusual industrial activity, produced excellent all around results in all industries. This, of course, was not so and needs no further proof than the fact that numerous individual stocks representing a number of different unfavorably situated industries reached extremely low prices at a time when many others, representing industries more favorably situated, were advancing. Using a trade term, 1923 was an extremely irregular year for industry, as a whole.

Going back further than that, however, we find that there have been certain industries which up to very recently have been unable to recover markedly from the depression which seized business in the early part of 1921. Among such, in particular, were industries dependent on agricultural conditions, such as farm implement, fertilizer and packing. Securities representing these industries have for a long time been unpopular with investors, and it is only recently that new public interest has been displayed in their market career. What the reason is for the greater strength in these three industries will be explained in other sections of this article.

Shipping has been another industry which has been extremely depressed, though not entirely as a result of poor agricultural profits. The tire industry has also had to contend with many ills, though of an entirely different nature than those which beset the above mentioned four industries. Securities of the shipping and tire industries have also lately evinced an upward tendency, which will be described herewith.

In the following, an attempt is made to give a survey of conditions in the tire, shipping, packing, fertilizer and farm implement industries, particularly the factors which seem to be causing an upturn in these industries. How these conditions are likely to affect the securities of the various industries are discussed in detail.

1. Recovery of the Packing Industry

Outlook for Swift, Armour and Wilson

THE packing industry definitely turned the corner during 1922, successfully emerging from the disheartening situation which confronted it as a result of the post-war deflation when the packers were caught with very large inventories at inflated prices, which had to be adjusted to the considerably lower levels existing after the war. That this situation was met without permanent impairment is a tribute to the leaders of the industry.

In weathering the storm, the companies took advantage of the well-known principle, especially so well known among the packers, that large turnover and small margins of profit produce good results. In this, they were aided to a considerable extent by the short-sighted policy of the sea-food dealers who had been in clover during the war period. At that time, following the propaganda to substitute fish for meats owing to high prices, local fish dealers advanced their prices to previously unheard of levels, in response to increased demands. However, they did not have the good judgment to recognize the handwriting on the wall and the fact that the packers would again come into their own, when lower costs and cessation of demand from the Allied Governments would cause them to pay more attention to home markets. With continued high prices for other foods, the packing interests, by reducing costs and prices, were able to recapture a good deal of the trade of the consuming public that had previously been weaned away from the use of meats. Not only did 1923 produce a record of meat production, but also the lowest wholesale meat prices in a decade, and the buying public was quick to take advantage of the situation.

Although production was large, by consistently following the principle of quick turnover and small profits, stocks did not increase to any great extent, most of the product moving promptly into consumption. Export trade, in spite of the difficulties caused by low foreign exchange rates, was a feature, especially in pork and lard, and this was of great assistance to the packing interests in marketing the record number of hogs sent to the various stock yards. As a result of the policy followed, the large packers succeeded in turning heavy deficits into profits, and the outlook for 1924 continues encouraging, especially if a measure of stability is witnessed in Europe, which consumes large amounts of American meat products.

In the following, a description is given of important factors regarding three of the leaders in the industry.

SWIFT & COMPANY

Common Stock Unusually Attractive

Swift & Company has the distinction of having passed through recent crisis in the industry with no impairment of dividend record on its capital stock. The company's report for the fiscal year ended November 3rd, which has just been issued, showed net sales of 750 millions, an increase of 100 millions over the previous year, and net profits of approximately 13.2 millions, equivalent to $8.79 a share as compared with 13 millions or $8.70 a share in 1922. The report is a good illustration of the methods adopted to secure large turnover to avoid losses, as it was necessary to increase sales over

Branding hams at a Chicago packing house

100 million dollars in order to secure practically the same profits. Had this not been done, it is quite probable the dividend record would not have remained intact.

Balance sheet showed outstanding approximately 27.6 millions of bonds, 49.5 millions of 5% notes and 150 millions of capital stock. Property account after 3.2 millions depreciation was carried at a valuation of 89.4 millions, and surplus was approximately 64 millions, exclusive of reserves of 10.8 millions. Stocks and bonds in the treasury amounted to 42.2 millions. Current assets were 206.3 millions, consisting of 8 millions cash, 107.7 millions accounts and 90.7 millions inventories.

Current liabilities amounted to 40 millions, leaving working capital of 146 millions, or almost $100 a share for the stock in current assets alone.

During the year, bonded debt was reduced 25.8 million. As the total funded debt is now only 77 millions, it will be seen that the equity behind the stock is substantial. **Considering the commanding position the company occupies in the industry, its strong financial condition, excellent management and demonstrated ability to earn the dividend of 8%, the stock (quoted in the Chicago market) at around the present price of 102 appears to be on the bargain counter.**

ARMOUR & COMPANY

Made the Best Showing Among the Packers

Probably the hardest hit of any of the packers during the period of deflation was Armour & Company. Earning between 15 and 20 million dollars annually during the war years, high costs reduced profits in 1920 to 5.3 millions, and the terrific declines in values in 1921 brought about a loss of 31.8 millions for that year, followed by a further loss of 7.6 millions in 1922.

These losses made a reorganization of the financial structure imperative. A subsidiary, known as Armour & Company of Delaware, was formed, comprising the smaller packing plants, together with the South American interests, the fertilizer and other by-products divisions. This company issued 50 millions of 5½% mortgage bonds and 60 millions of 7% preferred stock, guaranteed by the parent Illinois Company. Proceeds were used to retire approximately 60 millions of 7% gold notes and 3.7 millions of 6% notes of the Illinois corporation, furnish the necessary funds for absorption of the business of Morris & Company, and provide required additional working capital to carry on the business.

With their financial house in order, the Armour organization busily engaged itself in wiping out old scores with the result that for the first six months of 1923 operating income was 16.7 millions, net 5.2 millions, after depreciation and interest, and working capital 129.5 millions. Current assets consisted of 57.2 millions cash, 70 millions notes and accounts, 119.7 millions inventories and 18.1 millions marketable securities. Current liabilities comprised 114.9 millions notes and 21 millions accounts payable.

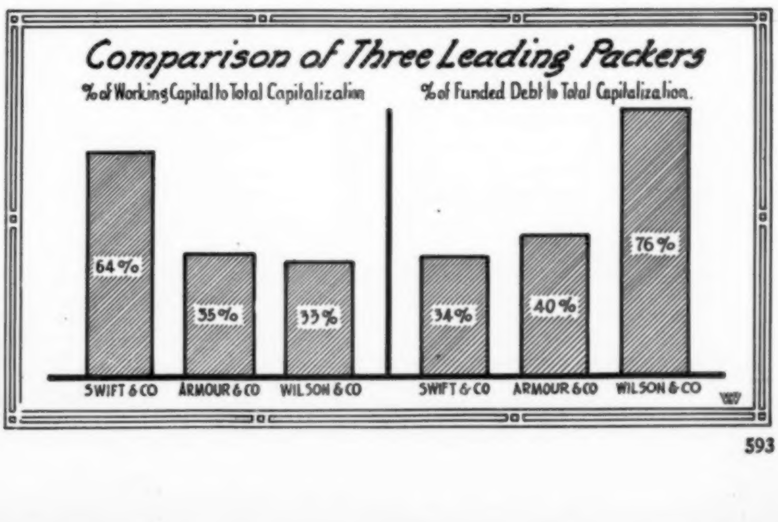
It has been announced that earnings for the second half of the year will substantially exceed the results obtained during the first six months, and further improvement in financial condition will be shown by the balance sheet. Around 50 millions of notes payable were liquidated in the last six months. **The rejuvenated company made the best showing of any of the packers last year, and there appears to be no reason for holders of either the bonds or preferred stocks of the two Armour companies, which are the securities held by the public, to have any uneasiness as to their investment, although that of the Delaware Company is entitled to the higher investment rating, as it is guaranteed, both principal and interest, by the Illinois Company.**

WILSON & COMPANY

Preferred Stock Very Attractive

The youngest member of the now Big Four of the packing industry is Wilson & Company. It has outstanding 23 millions first mortgage 6% bonds, 15.5 millions convertible 6% and 9.6 millions convertible 7½% debenture bonds making a total funded debt of 48.2 millions followed by 10.3 millions 7% cumulative preferred and 202,181 shares of no par common stock.

As was the case with its larger competitors, the Wilson earnings during the war years were more than satisfactory. Net, which was 1.4 millions in 1914, showed progressive increases each year until 1916, when income of 7.6 millions was recorded. In the following year, foreshadowing what was to follow, net declined to 2.7 millions, and in the disastrous year of 1921, a loss of approximately 8.5 millions was incurred. Operations turned the corner in 1922, when net of 1.1 millions was reported. The company has not yet made public its report of operations for 1923, but, in view of the better conditions which have existed during the year, it is anticipated it will show



HOW THREE LEADING PACKING COMPANIES COMPARE

Capitalization	Swift & Co.	Armour & Co.	Wilson & Co.
Funded Debt (In Millions)...	78.3	144.7	48.2
Preferred Stock	None	a64.37 b59.3	10.3
Common Stk. (No. of Shs.)..	1,500,000	c1,000,000	202,191
Working Capital (In Millions)	d146.0	d129.5	e21.2
Earnings (1923 Net in Millions)	13.2	5.2	NF
Dividends (On Com. Per Sh.).	$8	$7	f$7
Recent Market Price of Stock.	102	92	f70
Yield at Recent Market Price..	7.8%	7.6%	10.0%

a Armour Co. of Del. b Armour Co. of Ill. c Combined Armour of Del. & Ill. d 1923. e 1922. f Preferred stock. NF—No figures available.

a more satisfactory result than in 1922. In the last balance sheet available, as of December 31, 1922, property account less mortgage was carried at a valuation of 44.5 millions. Current assets were 117.1 millions, consisting of 5.8 millions cash, 13.8 millions notes and accounts, 18.2 millions inventories and 3.7 millions miscellaneous assets. Current liabilities were 20.1 millions, represented by 13 millions of bills payable, 2.77 millions accounts and the balance miscellaneous items, leaving a working capital of 21.2 millions. The 13 millions of notes have doutbless been reduced as a result of operation in 1923.

Naturally the adverse results in 1921 were reflected in the market for the company's stocks. The preferred, which during the war ranged between 90 and 197, sold as low as 63 last year, while the common, which almost reached 105 in 1919 when dividends of 8% were paid thereon, changed hands at 19 in 1922. **The senior issue is yet selling at around 70, returning 10% on the investment. Considering the fact that dividends have been paid throughout the dark days and the company is facing a more favorable future, with earnings in excess of preferred dividend requirements, the stock appears to be out of line with intrinsic value, income return and prospects.**

The common is now quoted at around 27. It is, of course, a much more speculative proposition. The management will doubtless desire to improve financial condition before consideration will be given to dividends thereon regardless of favorable earnings. **However, in view of the improved situation and excellent management of the business, there are good possibilities in the issue as a long-pull speculation.**

2. Farm Prosperity Aids Makers of Farm Machinery

Indications Are for Large Demand for Replacement of Farm Machinery—Position of International Harvester, Advance Rumely, Case Threshing and Deere Plough

WHEN the great industrial corporations of the country succeeded in liquidating their inventories and reducing bank loans to normal proportions the stage was set for a return to an earnings base which meant many points in advancing stock prices. The depression following the fever of 1919 found many corporations in an over-extended position. This is ancient history, but it has a relation to conditions which permeated the agricultural sections. As were the big manufacturing corporations over-extended, so were the farmers.

Unfortunately for a true picture of agriculture during the past two years, the publicity part of the farmers' case has been handled largely by quack doctors. It now seems as if in 1923 the farmer made a larger recovery and did more to correct over-extension than was popularly supposed. Talk of impaired buying in rural districts had foundation, but if the business of the mail-order houses in 1923 is any guide, agricultural purchasing power was on the upgrade all through 1923. It is true that it did not reach a volume where the manufacturers of farm implements were affected, but it does seem as if the recovery and the readjustment has reached a point where there is reason for believing that 1924 may do for the manufacturers of farm machinery what 1923 did for the mail-order houses.

It is undoubtedly true that farmers have given little thought, through pressure of other financial matters, to the question of replacements of machinery. It will be remembered that following Federal control of the railroads, rolling stocks and motive power were in condition which demanded correction, and so soon as the railroads were able they began to expend heavily for maintenance and new equipment. Similar conditions might easily prevail with regard to farm machinery, and buying for replacement purposes alone would be large enough to alter materially earnings conditions of the leading manufacturers.

There was a time when American farm machinery companies had a rising business in Europe, and this business was going ahead fast when the war brought a stop to it. The recovery has been slow, and even now there is small basis for predicting that foreign business will constitute a profitable department of the industry in 1924, although in this regard one man's guess is as good as another's. Foreign prospects aside, there is enough room for improvement in the United States and Canada and in South America to furnish the foundations of a good volume of business if the farmer starts to buy. If indications are of any value, it looks as if the mental attitude of the farmer had changed and that at the beginning of 1924 he was much more disposed to look hopefully to the future than he was a year ago.

The cotton belt and the corn belt did well in 1923. There was a great increase in the consumption of hogs and cattle which, though not especially profitable, undoubtedly strengthened the cash position in rural communities. Wheat raisers did not have a particularly pleasant experience, but all in all efforts which have been made to induce the farmer to make the start toward normal times within himself ought to find positive reflection in 1924.

INTERNATIONAL HARVESTER COMPANY

Common Stock in Attractive Position

Since the first of January, common shares of International Harvester have been unobtrusively, but positively, firm. Whereas last year it seemed to be the

CASE THRESHING MACHINE

	Gross Sales	Op. Ratio (%)	Net Income	Per Sh. Earning Pfd.	Per Sh. Earning Common	Price Range Pfd. H.	Price Range Pfd. L.
1917	$17,657,000	78	$2,774,000	$22.8	$23.10	88	75
1918	25,162,770	78	4,013,880	33.0	38.10	92	73
1919	32,342,600	83	4,305,200	34.2	41.20	99½	97
1920	34,547,300	88	1,936,900	14.8	11.89	101	72
1921	17,255,198	93	def.583,430	def.	.....	85⅛	63
1922	15,720,700	95½	321,270	2.47	.....	93¼	68

(Common listed 1922. Range 1923, 42—17.)
Price of Preferred.......81. Dividend.......$7. Yield.......8.6%.

INTERNATIONAL HARVESTER

	Sales	Net Income	Per Share on Com.	Net Wkg. Capital	Price Range Common Stock H.	Price Range Common Stock L.
1917	*	$24,895,700	$26.90	$126,000,000	...	...
1918	$204,000,000	26,713,225	28.10	141,500,000	121	104
1919	212,000,000	21,011,700	21.01	156,200,000	149⅝	110
1920	225,000,000	17,155,350	14.39	157,870,000	142½	88
1921	121,215,000	4,149,919	def.	152,046,000	100½	67⅝
1922	*	5,540,768	1.35	143,700,000	115¾	79⅛

Recent Price.......81. Dividend.......$5. Current Yield.......6.1%

* Not reported.

DEERE & CO.

Yr. Oct. 31	Net Earnings	Per Share Earnings Pfd.	Per Share Earnings Common	Wkg. Capital
1917	$5,026,000	$14.00	$13.48	$29,201,000
1918	5,299,840	13.80	13.30	31,318,000
1919	5,667,400	15.00	15.60	34,355,000
1920	5,217,980	13.28	12.27	34,084,000
1921	def.1,638,450	.....	.....	37,258,000
1922	def.1,587,720	.....	.....	33,712,000

Price of Preferred........75. *Dividend........$3. Yield........4.0%.

* 10% back dividend due.

ADVANCE-RUMELY

	Net Income	Per Sh. Pfd.	Per Sh. Com.	Wkg. Capital	Price Range Pfd. H.	Price Range Pfd. L.	Price Range Common H.	Price Range Common L.
1917	$550,500	$4.40	....	$14,278,000	37⅛	19	18½	7½
1918	1,188,900	9.50	3.20	14,126,300	62⅞	25¾	26¾	11
1919	2,401,900	19.25	12.02	14,505,380	76	56½	54	21
1920	1,277,230	10.40	3.84	13,786,600	72	40	45⅝	16
1921	*1,964,200	*	....	11,727,650	52⅛	31½	19¾	10
1922	137,611	1.10	....	11,560,000	60⅛	31⅛	23	10⅝
1923	......	....	....	....	54⅛	24	19½	6½

Recent Price Preferred....43. Dividend Preferred....$3. Current Yield....7.0%.

* Deficit.

idea that the stock ought to be liquidated on all strong spots, the sentiment now prevailing is that periods of market weakness should be employed to purchase. Results for 1923, when figures are available, are expected to show a substantial improvement over 1922. Profits on farm machinery were small, but interest on dealers and farmers notes provided a substantial source of revenue. Never has there been much doubt of the financial position of International Harvester, and it is pointed out that customers' obligations were carried through 1923 without bank loans. So strong was the treasury position that the company has been able to finance itself, finance its customers to a large extent and continue cash dividend.

The Federal dissolution suit originally brought 11 years ago, came to life again in 1923 and the Government now seeks to have corporation dissolved into competing companies. Originally the action arose from complaint that International Harvester kept prices unduly high, but now it is asserted that the company has reduced price to a level where competitors are unable to do business at any profit. According to reliable figures, International Harvester controls not more than 21 or 22% of the total production of agricultural implements in the United States.

International Harvester has no funded debt and the 60 million dollars 7% preferred stock has paid dividends without interruption and is justly entitled to a sound investment standing despite the experience of the last two years.

It is noteworthy that the common shares, even after the losses of 1921 and 1922, are now selling on a semi-investment level. The immediate income return is barely 6%—a tribute. For practically two years there has been nothing but gloom coming from the agricultural sections and every bit of this gloom is directly reflected upon International Harvester and its affairs. Despite this, the common shares are at a level which would make a great majority of the industrial stocks envious. **This is not to indicate they have already discounted the situation, for the present price is relatively low when measured against the prices recorded during years when substantial surpluses were earned upon the common.**

ADVANCE-RUMELY

Preferred Stock Offers Opportunity

Since 1919, with Advance-Rumely, it has been largely a question of counting the pennies in order to keep financial position intact against the day when business would recover. The latest balance sheet available is that for the year ended December 31, 1922, and that balance sheet showed a reduction in inventories from the peak in 1920, and a reduction in bank loans. Like so many of the farm machinery companies, however, customers notes included in current assets, were at that time showing a tendency to increase, indicating the financial inability of the farmer to liquidate his obligations, a point, however, which has been no secret and is not to be regarded as in any way sensational or a permanent liability.

The company's business during the first nine months of 1923 was slightly under that for 1922, failing to carry out the promise of the early part of 1923. At the end of 1923, it was stated that Advance-Rumely had sufficient stocks of steel on hand for operations through several months of the present year, steel purchased in 1922 at lower prices than now prevailing. It is expected that when the results for 1923 are published they will show no material change insofar as net earnings are concerned, over the results of 1922.

Advance late in 1923, added to its organization by purchasing Aultman & Taylor Machinery Company of Mansfield, Ohio, for approximately 3 million dollars. At the time of the purchase, it was stated no financing other than bank loans would be required to consummate the deal.

Ahead of share capital is an issue of $844,000 debenture 6s due in December, 1925. Interest on these bonds has been covered in every year, except in 1921, with a fair margin to spare, and while they are not high grade they are in a position where they have a good chance of improving their standing. The 7% preferred stock, paying 3% now, is quoted at prices where it yields better than 7%. While its position is somewhat speculative, it is among those stocks which will attract more attention once it becomes more definitely established that the farm machinery business has turned the corner. Dividend accumulations amount to 7½%.

The common is selling at thoroughly deflated levels, under 15. It has had a fair recovery from the lows of 1923, but not yet a recovery which discounts the return of net profits.

CASE (J. I.) THRESHING

Preferred and Common Worth Watching

The origin of the J. I. Case Threshing Machine Co. business goes back to the pioneer days, Jerome I. Case having started the business in 1842. This company is not to be confused with the J. I. Case Plow Company, which is an entirely different organization. Case Threshing Company's main plant is located at Racine, Wis., and the principal output includes threshers, steam and oil tractors. A side line since 1919 has been the plows made by the Grand Detour Plow Co. The Case Co. has rather an attractive record of earnings. For example, back in 1915, 13% was earned on the common stock and this was before the war prosperity hit the farm machinery

business. When that boom came along, Case earned over 100% per cent on the common stock in three years and paid out 7% in dividends, although some of the surplus was capitalized, however, by a stock dividend of 45% in 1920. This has been the only material change in capitalization over a long space of years. There is no funded debt.

Like the rest of the group, Case ran into unprofitable times in 1921 and 1922 and for those two periods reported a deficit after preferred dividends of about 2 million dollars, but comparatively speaking this loss was not relatively as large as losses suffered by some of the other companies engaged in similar line of business.

It is reported that for the nine months of 1923, sales were about 20% in excess of those for the same period of 1922. On this basis it may be roughly estimated that perhaps the 7% preferred dividend was covered last year, particularly if margin of profit was a little larger than in 1922, when the ratio of operating expenses to sales was over 95%—a fair average for the company under normal times is not more than 85%. Incidentally, the dividends upon the preferred shares have been continued without interruption, but no cash dividends have been paid upon the common since the early part of 1920. The common shares of Case Threshing Machine now have a solid asset position in back of them and the company was not fundamentally hurt by the depressions of 1921 and 1922, but on the other hand appears to be in excellent position to go forward with any recovery in the industry in which it concentrates.

It certainly seems as if the preferred would improve its investment position this year. At the current writing these shares are selling between 75 and 80. They have rather a thin market and obviously are not suitable for an in and out trading purpose. **If the dividend is going to be safeguarded by earnings, a condition which depends upon recovery in the industry, then the preferred shares are selling many points too low, and the risk in that seems very well worth while taking. The common has discounted 1921 and 1922 and 1923, and is an attractive speculation in the scale between 20 and 30.**

DEERE & COMPANY

Comparison of Position of Company's Various Securities

Deere & Company is the largest manufacturer of steel plows in the country and produces supplemental lines of other farm machinery. All together 14 plants are owned, located mostly in the middle west. In the years from 1915, through 1920, inclusive, a rising volume of business was recorded, with surplus on the common shares in the four years, 1917 to 1920, inclusive, running into double figures. Notwithstanding the fact that in these four years total per share earnings on the junior shares were over $50 a share, no dividends were paid and the profit and loss surplus in that period was almost doubled. In the meantime, regular disbursements of 7% were paid upon the preferred. In the fiscal years 1921 and 1922, after preferred dividends, a deficit of approximately 9 million dollars was incurred, reducing profit and loss surplus as of October 31, 1922, to 8.2 millions, compared with over 17 millions two years previous. At the same time, the preferred dividends were reduced to 3%, so that cumulated dividends on the issue at the present time are about 10%.

The annual report for the year ended October 31, 1923, is not yet available. At the end of 1923, the company stated that it was hopeful that in the early part of 1924 business would be about the same as in the corresponding period of 1923, but perhaps a little more profitable. The point is emphasized that prices had not kept pace with the increase in raw material prices and it was also brought out that while the labor situation, as it affected the business of Deere & Company, was satisfactory, the wage basis was 100% ahead of the basis of pre-war years. Conservative buying on the part of farmers was noted. All in all, the attitude of the management toward the outlook for 1924 was pronouncedly conservative, but tinged with growing confidence.

The 7½% notes, 1931, look cheap. Undoubtedly present price of preferred takes into consideration the accumulations of 10%, with the underlying idea that should business improve at all this year, it might be possible to pay off some of these accumulations and restore the stock to the full dividend. It is on this theory or opinion that the senior shares depend for their stock market value.

Apparently the common is far removed from dividends. It must be noted that the losses of 1921 and 1922 almost offset the surplus of the preceding four years. It was the intention of the company in good years to build up the asset value of the common through application of surplus earnings, but this apparently had not been completed when the depression arrived.

3. Signs of Improvement in Fertilizer Industry

Position and Outlook of American Agricultural Chemical and Virginia-Carolina Chemical Compared

THERE are many evidences that the fertilizer industry has seen the worst and is slowly turning the corner. The most important factor in the improved outlook is the financial recovery of the southern farmer due to the high prices received for cotton. Approximately two-thirds of all commercial fertilizer is marketed in the South.

In other sections of the country, there has been moderate improvement in the condition of the farmer. As shown by the accompanying graph, sales of mixed fertilizer in 1923 were 13% greater than in 1922, and in the current year there is every indication at this time that an even larger increase will be reported.

The improved credit of the farmer is of particular importance to the larger fertilizer companies. In the past, the larger organizations have had the advantage over the smaller concerns in this industry of possessing superior facilities for furnishing credit. Their ability to equalize risks by doing business over a large territory has also been an advantage. The deflation period and the financial collapse of the farmer not only destroyed this advantage but also resulted in very heavy losses on credits extended. In 1921 and 1922, the risk of extending credits to farmers was too great to be assumed on a large scale and as a result the smaller companies were able to compete on an equal basis. The importance of the credit situation can be understood when it is realized that in 1921 the larger companies reduced their prices 33⅓% for cash sales.

While the outlook, therefore, is for moderate improvement in this industry a boom is not to be anticipated. The margin of profit is smaller than the average of the past ten years and is likely to remain so. One reason for this is the educational work that has been going on

among the farmers along the lines of making their own fertilizers in accordance with the particular needs of their soils. This has led to the formation of cooperative purchasing agencies through which the farmers are able to buy their materials at prices corresponding closely with those paid by the large fertilizer companies. The large profits reported by the fertilizer companies immediately preceding the deflation period are not likely to be repeated at least in the near future.

The following is an estimate of the position and outlook for the two leaders of the industry.

VIRGINIA-CAROLINA CHEMICAL

Outlook for the Stocks

Financial condition of Virginia-Carolina Chemical is not nearly as strong as is the case of American Agricultural Chemical. Ratio of current assets to current liabilities is only 2½ to 1, and despite the increase in the funded debt, bank loans as of May 31, 1923, stood at 16.2 million. Interest and sinking fund requirements on the funded debt now require 3.4 millions, and it is questionable whether the company will be able to earn even this amount. In the seven years ended May 31, 1920, it is true that net earnings available for interest averaged about 5.4 millions, but during these years large profits were realized from operations of the Southern Cotton Oil Co., an important subsidiary. With cotton at its present high price level, this end of the company's business is in an unfavorable position. Under conditions as they exist today, the company would do well to show an earnings power sufficient to cover its present fixed charges.

The 25 million first mortgage 7s, due 1947, constitute a first mortgage on all fixed assets of the company, and are further secured by pledge of 10 million stock of the Southern Cotton Oil Co. However, in view of the heavy bank loans of the company and the uncertain earning power they are classed as a speculative bond. As such, however, they appear attractive, for even in the case of reorganization it is questionable whether this issue would be disturbed, and a reorganization is not an immediate possibility. The 7½s, Series A, due 1937, are not nearly in as sound a position as they are not secured by mortgage, and if the company should get into financial difficulties, this issue and the stockholders would have to bear the brunt of any reorganization that might take place. They are not recommended even at present low levels of 71.

Neither the preferred or the common stock appear attractive in view of the heavy funded debt ahead and probability that the company will not be able to do more than cover fixed charges for a long time to come.

AMERICAN AGRICULTURAL CHEMICAL

7½% Bonds Suitable for Investment of Business Men's Funds

Before demoralization took place in the fertilizer industry, American Agricultural

HOW TWO FERTILIZER COMPANIES COMPARE

	American Agri. Chem.	Va.-Carolina Chemical
Funded debt	$35,012,500	$37,375,000
Preferred stock	28,455,200	21,568,536
Common stock	333,221 shs	*349,805
Current assets	$42,445,521	$43,367,474
Current liabilities	4,494,949	17,569,142
Working capital	$37,950,572	$25,798,332
Ratio current assets to liabilities	9½ to 1	2½ to 1
Average net profits available for dividends (10 years)	$2,350,596	$1,740,000

* Voting and "B" stock.

management, seeing trouble ahead, sold 30 million first and refunding 7½% bonds, and was able to arrange this financing on fairly satisfactory terms. Despite the 12 million loss sustained in the 1921-22 fiscal years present financial condition of the company is sound. As can be seen from the accompanying table ratio of current assets to current liabilities is about 9½ to 1, and the earliest maturity of its funded debt is 5.8 million 1st mortgage 5s in 1928. Obviously the company has nothing to worry about financially for a long time to come, present working capital being ample for the efficient conduct of its business.

Present and future earning power are of course the important factors to consider. For the year ended June 30, 1923, net income was $501,481, equal to 1.76% on the preferred stock after deducting usual depreciation but before deducting inventory losses or reserves for doubtful accounts. In that year the company had many unfavorable conditions to contend with, and results do not fairly represent normal operating conditions. The improvement in the financial condition of the farmer has enabled the company to again sell goods on credit which means a more favorable price basis.

It is too early to accurately forecast earnings for the current year as the major portion of the company's profits are realized in the Spring selling season. There is every reason to believe, however, that considerably larger earnings will be shown. Interest and sinking fund charges of American Agricultural Chemical now total about 2.5 millions per annum which compares with only $800,000 previous to 1921. In order to earn the 6% dividend to which the preferred stock is entitled, the company must show net profits of $4,200,000. In the ten years ended June 30, 1923, net profits averaged 2.3 millions which period includes two years of large deficits. In the seven years ended June 30, 1920, which covers a favorable period, net profits averaged a little over 5 millions. With conditions at the present time only fair and no warrant for the belief that there is any unusual prosperity ahead, the company can hardly be expected to do much more than earn the preferred dividend, and even this result may not be accomplished in the immediate future.

The first mortgage 5s, due 1928, are high grade, and at present price of 97 offer a good short-term security. The 1st refunding 7½s, due 1941, are a good middle-grade bond, working capital alone being in excess of the total funded debt outstanding. **At present price of 100 this issue offers an attractive investment opportunity.**

Back dividends on the 6% preferred stock now amount to 16½%, and at present levels of 45 this stock is not without speculative possibilities. The company, however, has a profit and loss deficit of 12.8 millions, and some capital readjustment, such as the lowering of the par value of the common shares, will be necessary before dividends on the preferred can be resumed. **Purchasers of this stock, therefore, may have to exercise a good deal of patience before receiving rewards in the way of dividends. With back dividends continuing to accumulate on the preferred the common shares must be classed as an uncertain speculation.**

4. Better Prospects for Tire Companies

Inventories at Low Levels With Trend of Tire Prices Upward—Industry Emerges from Severe Readjustment

BY curtailing production during the final quarter of last year, the tire companies were able to enter 1924 with inventories reduced to normal, or perhaps even below what might be considered normal. Stocks of pneumatic casings on hand at the close of November of last year, as figured from reports from 80% of the industry, totaled 4.6 millions, or less than two months' supply. This is calculated on the basis of shipments during the month of November, which came to 2.4 millions.

The relative strength of the above inventory position is most easily seen when compared with figures reported earlier in the year. At the close of June, last, stocks of casings on hand were in excess of 7 millions, or more than a six month's supply at the then current rate of sales. Such a drastic cut will undoubtedly give many companies the opportunity to operate close to capacity during the first half of this year with a consequent reduction in operating costs.

Margin of profit is still small, however, due to the extreme high prices paid for cotton and fabrics, which make up the bulk of the tire, but this situation also shows signs of improvement. Advance contracts with automobile manufacturers for original equipment have been made at 10% to 15% increase over 1923 levels, and tire prices to dealers have been readjusted so as to allow a wider margin on the more popular sizes. On the whole, selling prices show a disposition to advance.

The fundamental causes of periodic distress in the industry continue to be an

LEADING TIRE COMPANIES COMPARED

	Funded debt in millions ($)	Ratio of funded debt to total capitalization (%)	Net working capital in millions ($)	Book value of common stock ($)
KELLY-SPRINGF'D TIRE CO.				
1919	...	..	11.5	63.20
1920	...	..	5.3	47.00
1921	10	36	9.9	41.60
1922	10	36	14.0	49.30
1923	9.5	34	NF	NF
UNITED STATES RUBBER CO.				
1919	67.8	33	126.3	172.00
1920	87.0	37	112.7	158.40
1921	85.9	37	83.7	151.00
1922	85.9	37	80.1	153.60
1923	84.9	36	NF	NF
THE B. F. GOODRICH CO.				
1919	...	..	54.6	72.50
1920	30.0	42	64.3	41.00
1921	30.0	43	48.2	20.60
1922	21.9	35	34.4	21.00
1923	23.8	39	NF	NF

NF—Not available.

over-productive capacity, and ruinous competition. These factors cannot be eliminated at one stroke but the annual increase in number of cars in service will provide a growing demand, thereby affording some measure of relief. The estimated total of 15 million cars now in operation will require at least 50 million casings during the current year and the new equipment will probably require 15 million more. The combined total is very close to present productive capacity, and compares with 1923 output of less than 48 million casings.

Changes in types of construction and new designs, such as the balloon tire, do not necessarily work to the disadvantage of the tire manufacturer, except insofar as they give additional tire mileage, and reduce ultimate demand. While this last factor is of some importance, it is altogether probable that maximum efficiency has been closely approached in tire engineering methods and further increases in mileages will be nominal.

In choosing a tire security as an investment, due consideration must be given to the fact that the industry lacks stability, and profits have never been large, except under very unusual conditions. The present improved outlook more than likely means nothing more than a temporary possibility for speculative profits. With this in mind, three of the most promising tire companies have been selected for individual discussion.

KELLY-SPRINGFIELD

A Well-Established Organization

At the beginning of last year, Kelly-Springfield was making profits at the rate of $12 a share annually on its common stock, and it was supposed that a resumption of dividends would soon be in order. Subsequent events in the industry affected operations so seriously that earnings for the entire twelve months of 1923 are now estimated at slightly less than preferred dividend requirements. Earnings over a period of years, however, have been satisfactory and there is every liklihood of a recovery in earning power during the current year. From 1914 to 1922, inclusive, net averaged above $7 a share on the common stock.

The company's business dates back to 1899, although the present name was not adopted until ten years later. Products are extensively advertised and include both pneumatic tires and solid tires for trucks, of which it is the largest producer in the country. There are two manufacturing plants, one at Akron, and the other located at Cumberland, Md. Present capitalization consists of 9 millions of 8% notes of 1931, 3 millions of 6% preferred, 5.4 millions of 8% preferred, and 363,000 shares of common stock of $25 par value.

One trouble with last year's operations was the fact that the company had no back-log of original equipment business, when the replacement market became disorganized. Recent contracts taken from Moon, Packard, Essex, Hudson, and Oldsmobile for new tire equipment should do much to stabilize operations in 1924. Financial condition is sound.

The 8% notes are currently selling around 105 to yield approximately 7% to maturity. They are a direct and senior obligation of the company, and are undoubtedly entitled to a fairly good investment rating. Present market price of the 6% preferred is 78 to yield 7%.

Comparatively speaking, the bonds are the more desirable as a purchase, although the preferred dividend seems secure. The 8% preferred, selling around 88, yields almost 9%, and is fairly attractive as a business man's holding.

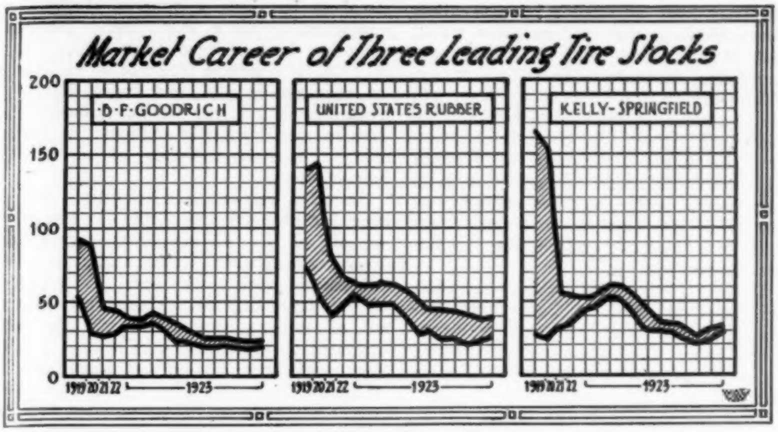
There is no way of knowing how large earnings for the common stock may be for the current year, but with prospects of normal conditions in the industry, net might easily be as large as $6 or $7 a share. At a price of 30, the issue appears to have but partly discounted the situation.

B. F. GOODRICH

Is Increasing Boot and Shoe Production

This company already has a fairly well diversified output, but is making efforts to further expand facilities for the manufacture of boots and shoes. Other products include rubber wearing apparel and mechanical rubber goods, as well as a complete line of automobile tires. Main

Milling—a process in modern tire making, where the compounded rubber is mixed



plant is located at Akron, Ohio. The business was originally established more than fifty years ago.

While war earnings do not mean a great deal in the case of the tire companies, it is nevertheless worth knowing that net for each of the seven years previous to 1920, averaged $11.50 a share on the common. In 1921 Goodrich took a terrific loss, the total deficit after preferred dividends amounting to over 21 million dollars. Dividends on the common were thereupon discontinued and nothing has been paid since.

Prior to 1920, there was no funded debt, but losses during the depression necessitated the sale of 24 millions of first mortgage 6% gold bonds. This, of course, has detracted materially from the investment value of the stock issues. Interest charges amount to a yearly total of 2.7 millions, and the company has as yet been unable to surmount this obstacle so far as the common stock is concerned, practically nothing in the way of earnings after preferred dividends having been reported in the past four years.

Goodrich securities are selling at extreme low levels and appear to have over-discounted all unfavorable factors. With satisfactory conditions prevailing during 1924, net could be shown for the common stock in a fairly substantial amount.

The first mortgage bonds are well secured and may be regarded as a good investment at a current price of 99 to yield slightly over 6.5% to maturity. The preferred has an unbroken dividend record for the past eleven years, and around 77 it holds possibilities of enhancement in value. **While the book value of the common has declined considerably since 1919, and dividend prospects are far removed, the stock should ultimately sell higher along with general improvement in the company's affairs. It is now quoted at 24.**

U. S. RUBBER

Tires Comprise Less Than One-Fourth of Sales

Although U. S. Rubber common is no doubt the most popular of all the tire stocks, it is not generally known that only a small part of the company's income is derived from the tire business. During the past year, footwear and mechanical goods sales increased by leaps and bounds, and these two departments are estimated to be furnishing more than 75% of total revenue at the present time.

In common with other tire manufacturers, earnings were at a most satisfactory rate in the first six months of 1923, but faded away almost entirely before the year was over. Diversification is the only thing that avoided serious losses for the big rubber company. As it is, profits were probably just a little above preferred dividend requirements. A burdensome tire inventory hampered operations during the last half of the year to a considerable extent.

Prospects of the company can be considered at least as favorable as those of any other organization in the industry. A gradual change in production is stabilizing operations and removing them further and further from the hazards of the tire business.

Profits for 1924 can only be guessed at this early in the year, but it is logical to believe that they will provide a fair balance for the common. Practically nothing has been earned on the issue in any of the past four years, and dividends have not been paid since 1921.

Funded debt consists principally of 62 millions 1st & Ref. Mtge. gold 5s of 1947. These bonds are quoted at 87 to yield 6%, if held to maturity. An issue of 19.4 millions 7½% Secured Gold Notes of 1930 are secured by deposit of 24.3 millions of the 1st & Ref. Mtge. bonds. They are quoted at 106 to yield 6.20% to maturity, and are obviously the more attractive of the two issues.

The outstanding bargain among the company's securities, however, is the 8% preferred around 92 to return 8.7% on the investment. The stock has repeatedly sold above 110 and reached 104 during the past year. There seems to be scant possibility of dividends being passed. The outlook is still too uncertain to warrant a commitment.

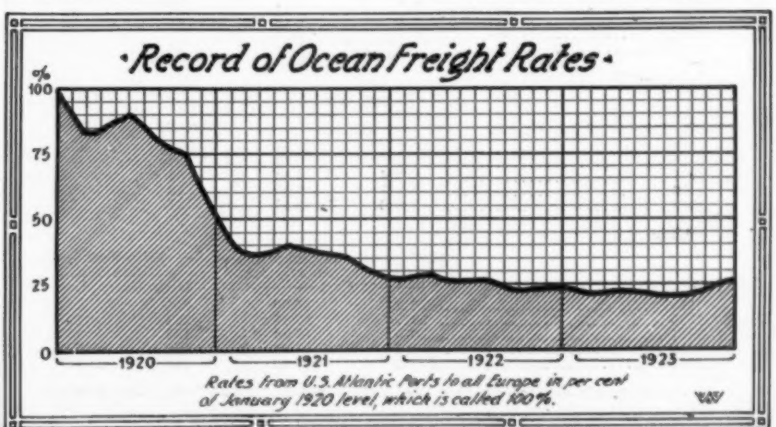
5. Shipping Industry Turns the Corner

All Signs Point Toward Gradual Return of Normal Conditions in the Industry

THERE is little doubt that the past year, as a whole, was one of the worst ever experienced by most steamship companies, prevailing conditions being even more unfavorable than in either of the two preceding years. Freight rates were at ridiculously low levels and the total volume of all commodities carried was insignificant, when compared with the amount of cargo space available. Operations of the trans-Atlantic lines were so unprofitable that those able to meet operating expenses were counted among the fortunate.

After such a prolonged depression, it is only natural that there should be some evidence of improvement in the shipping situation. In the first place, a definite turn for the better in world trade has become manifest within the past few months, and demand for tonnage has been on the increase as indicated by the steady gain in number of vessels chartered.

Fewer voyages are now being made in ballast, and the amount of effective world tonnage lying idle is no longer of alarming proportions. The fact is, the majority of American vessels now tied up are con-



Rates from U. S. Atlantic Ports to all Europe in per cent of January 1920 level, which is called 100%.

trolled by the U. S. Shipping Board, and are not to be considered an important factor in excessive tonnage supply, due to their hasty construction and relative inefficiency.

The revival of the ocean cargo market has made it possible for the various companies to increase rates to a point more compatible with present-day costs. Rate cutting has practically disappeared, and there is no longer a willingness on the part of operators to accept cargoes at any figure merely in order to keep their vessels moving. Following a decline that lasted more than two years, freight rates turned upward during the latter part of 1923, and closed the year at the highest levels reached. Pursuant to an agreement made by members of the North Atlantic Continental Conference, tariffs were further advanced about 30%, as of January 1st, on commodity shipments westbound from European ports, and it is understood that these same companies are contemplating a like increase in the eastbound tariff. Furthermore, there is a movement now on foot to advance rates in the Pacific trade, which are already on a fair basis.

The logical conclusion is that the shipping industry is definitely on the upgrade and will make a much better showing in the present year than for a long while past. Our intercoastal trade is holding up well, and profits are being made in that quarter. Practically all trans-Atlantic lines have adjusted affairs to allow for a small amount of immigrant traffic, and the 1st and 2nd class passenger movement continues to show an increase. With further improvement in the ocean cargo market, operating results would be fairly satisfactory. It will not be necessary for rates to advance to previous high levels in order to provide a good margin of profit, as the majority of vessels are now operated on a much lower cost basis than heretofore, due to improved methods.

Different companies whose securities are listed on the New York Stock Exchange should benefit in varying degree from better conditions in the shipping industry, as outlined in the following analyses.

INTERNATIONAL MERCANTILE MARINE

When Will Preferred Dividends Be Earned?

The poor showing made by International Mercantile Marine during the past few years have led many to believe that the company has more or less permanently reverted to its unprofitable pre-war status. It is commonly supposed that profits having not been made during the fifteen years before the war, there is no reason to expect anything but deficits from future operations. This would not necessarily seem to be the case, however, as there has been a material change in capitalization since that time. Funded debt has been reduced from 84 millions in 1914, to a present figure of 44 millions, or very nearly 50%, and annual interest requirements are now but 2.6 million dollars compared with 3.8 millions ten years ago. There is a factor of no small importance.

In other respects, the company's position has changed very little. It has 109 vessels of 1.1 million gross registered tonnage, with which freight and passenger service is maintained over 55 routes, mostly trans-Atlantic. These vessels are all of modern construction and can be operated on a very low cost basis. Earnings were large during and immediately after the war, but the deficit reported after depression in 1922, amounted to 2.4 millions. Losses from the past year's operations were probably not this large, as profits realized from passenger traffic alone aided in reducing the final deficit.

Results from operations in 1924 are likely to show substantial improvement. The company stands to benefit to a considerable degree from the higher trans-Atlantic tariff schedules put into effect at the beginning of the year, and further improvement in the general shipping situation should make profits possible. Financial condition naturally reflects the past few years of hard sledding. Working capital amounted to but 5.7 million dollars as of December 31st, 1922, compared with 22.7 millions at the end of 1921, and 35.2 millions two years previous.

Of the three outstanding issues of securities, the 1st Mtge. & Coll. Tr. 6s of 1941 offer the best possibilities. They are a direct obligation of the company, and are secured by a first mortgage on all its property, which has an actual market value substantially in excess of total bond obligations. With the recent improvement in the industry, there seems to be practically no danger of a suspension of interest payment. **At a present price of 82, the current yield is above 7.3%, and this is undoubtedly an attractive return in comparison with the risk assumed.**

Accrued unpaid dividends on the 6% preferred total $49.50, but as earnings would have to show a remarkable increase before any of its accumulation could be paid off, it does not materially add to the value of the stock. It is as yet uncertain as to whether the full $6 annual requirement can again be earned, and such satisfactory results are hardly to be expected during the current year in spite of improved operations. **For the present, the preferred, at 32, has about discounted favorable development, but further improvement in the company would undoubtedly be reflected by still higher prices for the stock. The common is now quoted around $7 a share and will be sympathetically influenced by the preferred.**

AMERICAN SHIP AND COMMERCE

An Attractive Low-Priced Speculation

American Ship and Commerce was not incorporated until July, 1919, so it had

LEADING SHIPPING COMPANIES COMPARED

SUBMARINE BOAT CORP.	Net income in millions (Dollars)	Earned per sh.—capital stock (Dollars)	Price Range capital stock. High	Low
1919	2.0	1.80	20	10
1920	1.8	2.40	14	8
1921	†2.1	†2.80	10	3
1922	1.6	2.30	8	3
1923	*1.7	*2.50	15	7

* Estimated. † Deficit.

AMER. SHIP & COM. CORP.	Net income in millions (Dollars)	Earned per sh.—capital stock (Dollars)	Price Range capital stock. High	Low
1920	2.1	2.30	30	7
1921	†1.0	†1.70	14	4
1922	1.7	2.70	24	5
1923	*1.8	*3.00	21	10

* Estimated. † Deficit.

INTERNAT'L MER. MARINE	Net income in millions (Dollars)	Earned per share—preferred (Dollars)	Price Range of preferred stock High	Low
1919	13.1	25.10	128	92
1920	7.4	14.40	111	44
1921	4.2	8.20	67	36
1922	†2.4	†4.60	87	41
1923	*†2.0	*†4.00	47	18

* Estimated. † Deficit.

AMER. INTERNAT'L CORP.	Net income in millions (Dollars)	Earned per share—com. stock (Dollars)	Price Range common High	Low
1919	4.7	9.00	132	103
1920	1.7	3.60	120	30
1921	0.084	0.40	53	21
1922	0.021	0.05	50	24
1923	*0.050	*0.50	33	16

* Estimated.

UNITED FRUIT COMPANY	Net income in millions (Dollars)	Earned per sh.—capital stock (Dollars)	Price Range capital stock. High	Low
1919	*20.1	*40.00	214	157
1920	29.0	57.84	223	177
1921	16.9	16.90	128	‡96
1922	18.8	18.80	161	120
1923	†23.0	†23.00	184	161

* For 15 months ending Dec. 31st, 1919. † Estimated. ‡ Ex—100% stock dividend.

no opportunity to share in the large war profits made by older organiaztions in the industry. In the first year of operations, however, earnings amounted to $2.30 a share on the 648,000 shares of capital stock then outstanding. A small deficit was reported in 1921, followed by net of $2.70 a share in its third year of corporate existence. Funded debt was reduced from 11.9 millions in 1921 to but 4.9 million dollars at the close of 1922.

This rather favorable showing during a time of acute distress in the shipping world is explained by the fact that the company is but partly dependent on shipping conditions for its prosperity. Industrial activities form an important part of total business. A large subsidiary, the Wm. Cramp & Sons Ship and Engine Building Co. designs and constructs Deisel engines under contract. Other subsidiaries are engaged in manufacturing steel castings, refrigerating machinery, and hydro-electric machinery, and also operate several brass and iron foundries. The entire fleet owned and controlled by the company consists of eleven first class freight and passenger vessels.

While no official estimate has been made of 1923 earnings, it is believed that they came close to $3 a share on the capital stock. The current year's operations should provide a further increase in net, as better conditions in the shipping industry will very likely mean profits from the company's marine enterprises, which have hitherto shown deficits. Financial condition was entirely satisfactory as of December 31st, with working capital of 3 millions. While subsequent earnings would have ordinarily added about 1.5 millions to this total, a large part of cash on hand is understood to have been used in purchase of additional vessels.

The capital stock is probably one of the most attractive speculative issues in the entire shipping group. At current levels around 13, it is selling approximately 50% below the high registered in both 1922 and the first half of 1923, when the outlook was decidely unfavorable. **As earnings could very easily run above $5 a share under normal conditions, the stock has prospects of fair sized disbursements when affairs have shaped themselves so as to permit the inauguration of dividends.**

SUBMARINE BOAT CORPORATION

Dividends Held Back by Financial Condition

Many who observed the capital stock of this company selling for as little as $3 a share but a few years ago are still wondering what can be behind its steady advance in market price. There is a double explanation of the investment public's change of attitude toward the issue. For one thing it was quoted much below its real worth at that time. Furthermore, the earning power of the company has recently made remarkable strides forward.

While the greater part of war profits came from the manufacture of sub-

(*Please turn to page* 638)

Preferred Stocks Gain Strength

Substantial Advances Recorded in Many Issues

INVESTORS apparently awoke to the fact that, as has been pointed out in these columns, good preferred stocks were selling out of line with their intrinsic worth and income return. As a result, substantial advances were recorded in a number of issues. Sears, Roebuck & Company and Endicott, Johnson & Company preferred sold on a 6% basis. Allis Chalmers and American Smelting preferred gained 3 points, as did General American Tank, and Pure Oil 8% preferred gained 4 points, selling at 94, at which price the stock appears to be yet selling out of line, in view of the better outlook for the oil industry and the company's substantial earning power. Among the rails, New York, Chicago & St. Louis and Chesapeake & Ohio preferred each gained 1½. As in the bond department, the feature in strictly speculative stocks was the 8-point advance in Pierce Arrow preferred to 72½.

PREFERRED STOCK GUIDE

These Stocks Are Selected as Offering Best Opportunities in Their Respective Classes, Taking Into Consideration Assets, Earnings and Financial Condition of the Companies Named

	Div. Rate $ Per Share	Approx. Price	Approx. Yield	†Divid'd Times Earned
Sound Investments				
INDUSTRIALS:				
American Can Co. ....(c.)...	7	111	6.2	2.1
American Ice Company ....(n.c.)...	6	82½	7.2	3.2
American Woolen Co. ....(c.)...	7	102½	6.8	2.5
Allied Chemical & Dye Corp...........(c.)...	7	110½	6.3	(x) 4.5
Baldwin Locomotive Works............(c.)...	7	111	6.2	4.4
Cluett-Peabody & Co....................(c.)...	7	105	6.6	4.7
Endicott-Johnson Corp. ....(c.)...	7	114½	6.1	4.6
General Motors Corp. deb...............(c.)...	7	99	7.1	(y) 5.1
Loose-Wiles Biscuit Co. 1st............(c.)...	7	106	6.6	3.2
Sears-Roebuck & Co....................(c.)...	7	114	6.1	12.6
Standard Milling Co..................(n.c.)...	6	81	7.4	4.3
United States Realty & Improvem't Co.(c.)...	6	105	6.6	2.7
PUBLIC UTILITIES:				
North American Co......................(c.)...	3	45	6.7	(w) 6.9
Philadelphia Company..................(c.)...	3	43	7.0	5.6
RAILROADS:				
Bangor & Aroostook.....................(c.)...	7	88	8.0	2.5
Chesapeake & Ohio conv................(c.)...	6.50	101	6.4	4.9
New York, Chicago & St. Louis.........(c.)...	6	87½	6.9	(x) 2.5
Middle-Grade Investments				
INDUSTRIALS:				
American Sugar Refining Co...........(c.)...	7	98	7.2	2.4
Armour & Co., of Del....................(c.)...	7	93	7.5	(z) 2.9*
American Steel Foundries..............(c.)...	7	103	6.8	5.0
Allis-Chalmers Mfg. Co.................(c.)...	7	96¼	7.2	2.8
American Smelting & Ref. Co...........(c.)...	7	99⅞	7.0	1.7
Associated Dry Goods Co. 1st..........(c.)...	6	86	7.0	3.0
Brown Shoe Co...........................(c.)...	7	91	7.7	2.2
Bethlehem Steel Corp. conv............(c.)...	8	108	7.4	3.8
Bush Terminal Buildings Co............(c.)...	7	89	7.8	1.1
Coca-Cola Co. ....(c.)...	7	96½	7.5	(x) 5.1
Cuban-American Sugar Co..............(c.)...	7	96	7.3	6.4
Genl. American Tank Car Corp.........(c.)...	7	98¼	7.2	5.4
General Baking Co......................(c.)...	8	108½	7.3	(x) 3.8
Gimbel Brothers, Inc....................(c.)...	7	101	7.0	3.3
J. Kayser & Co..........................(c.)...	8	99	8.0	2.0
Kelly Springfield Tire Co...............(c.)...	6	75	8.0	10.0
Natl. Cloak & Suit Co....................(c.)...	7	96¼	7.2	...
U. S. Industrial Alcohol Co.............(c.)...	7	101	7.0	6.4
PUBLIC UTILITIES:				
Amer. W. Wks. & Elec. Corp. 1st......(c.)...	7	90	7.8	(x) 2.2
Public Service of N. J...................(c.)...	8	101½	7.8	(y) 3.4
RAILROADS:				
Baltimore & Ohio......................(n.c.)...	4	59	6.7	...
Colorado & Southern 1st pfd.........(n.c.)...	4	49½	8.0	6.2
Pittsburgh & W. Va......................(c.)...	6	87	6.9	2.0
Semi-Speculative Investments				
INDUSTRIALS:				
American Beet Sugar Co.............(n.c.)...	6	72½	8.3	1.3
California Petroleum partic. pfd........(c.)...	7	100	7.0	1.3
Famous Players-Lasky Corp...........(c.)...	8	90	8.9	(y) 5.7
Fisher Body Corp. of Ohio.............(c.)...	8	99	8.0	...
Mack Trucks, Inc., 1st..................(c.)...	7	96	7.3	(y) 2.8
Orpheum Circuit ....(c.)...	8	91	8.8	(w) 2.5
National Department Stores...........(c.)...	7	94	7.4	4.0
Pure Oil Co. conv. pfd..................(c.)...	8	95	8.4	3.5
Worthington Pump & Mfg. "A"........(c.)...	7	71½	9.8	2.0
PUBLIC UTILITIES:				
Amer. Water Wks. & Elec. 2d pfd.....(c.)...	4	66	6.0	(w) 1.8
RAILROADS:				
Kansas City Southern................(n.c.)...	4	53	7.5	1.5
Pere Marquette ....(c.)...	5	60	8.3	2.2
St. Louis Southwestern..............(n.c.)...	5	59	8.5	1.7
Southern Railway ....(n.c.)...	5	68½	7.4	1.7

(c.) Cumulative. (n.c.) Non-cumulative.
(w) Average for last two years.
(x) Average for last three years.
(y) Average for last four years.
(z) Stock was issued this year.

* Based on average earnings during past six years.
† Average number times earned last five years.

Building Your Future Income

"For the Man with His First Five Hundred Dollars"

What Would You Give to Be Rich?

WELL, what *would* you give to be rich? Come, now! Let's be perfectly frank and open about it.

What would you give up that you have *now* in order to gain a big, comfortable home of your own, free and clear, a motor car, ample leisure and *plenty of money regularly coming in?*

WE asked a young friend of ours this question a while ago and in just the same way.

"Gosh!" he said, "I'd give my *right arm* to be rich. That's what I'd give!"

We asked another man—an elderly man—the same question.

"What's the use talking about it?" said he. "I'm too old now. I'm *through.* I never *could* be rich, no matter what I offered in return!"

Funny about people, isn't it? We'll say that we'd do *anything,* within honor—we'd *give* anything, within decency, if we could be sure of becoming wealthy. And yet, when somebody tells us how little we really have to do, how little we really have to give—well, we sort of settle back and sigh—and let the thing slide.

TO become financially independent—which is what we mean by *rich*—you don't need to sacrifice arms, legs, eyes or even your finer feelings.

You don't need to forego pleasures, real interests or real friends.

All you must give up is a certain amount of time—the amount of time, for instance, that so many of us now devote to futile day-dreams. All you have to go without are some of the weak-kneed illusions that beguile you into thinking that you can ever become rich without effort.

The only formula you need apply is the formula: Income minus Expenses Applied to Sound Investment equals Independence. The only limit (if you apply this formula) on how far you can go is the limit set by your earning power (which it is up to you to increase), your saving power (which you can largely control) and your investing judgment (which it is up to you to perfect!).

WE are reminded of the remark of a wealthy old man of our acquaintance who had been asked to explain his success. Said he:

"I became wealthy by acting on the principle that every cent I ever received might be the last one I'd ever get."

In other words, he "scared" himself into action—scared himself into increasing his income and cutting down his expenses—scared himself into guarding his surplus with the same jealous care that a husbandman devotes to his blossoming crops.

Maybe if the rest of us would apply similar measures we might get ahead as we want to do. For "Independence" is within the reach of us all if we can only devise some kind of pressure that will make us fight, if need be, for what Fate reserves only for those who are DETERMINED and UNAFRAID.

But independence will be reached by none of us who emit frothy mouthings like "I'd give my right arm to be rich"—and then begrudge even our spare time!

Why I Would Not Be a Home Owner

—With Conditions What They Are Today

By "M. A. Harrington"

Under an assumed name ("I wouldn't DARE sign my own name to it," he protested) an inveterate, irreconcilable and irredeemable rent-payer has released this blast against home-owning.

We shudder to think of the maledictions that will be heaped upon his head by the home-owners who read his statement. Not for a moment would we reveal his identity lest he become a pariah among men!

However, the article may do some good. There are two sides to every proposition, and for those who aspire to a Balanced Judgment it is always well at least to KNOW the other side, whether or not you consider it defenceless. This article, so far as Home-Owning is concerned, represents "the Other Side."

I WOULD not buy—or build—a home today for several reasons. And any one of these reasons would, to me, be reason enough.

I would not buy—or build—a home because I would have to pay for the construction of the home a sum which I consider out of all proportion to the values received. When I see—as I have seen—frame-houses in only fairly desirable localities—houses which just a few years ago could have been built for $7,000 or $8,000—priced at $17,500 and up—when I see prices swollen to such absurd limits as this, I look upon it as a warning signal—a sign to me to "stay away."

The home I buy—or build—if I ever become a home-owner, will be one which, at the cost price, gives me at least an "even break" from an investment point of view. I am willing to assume *some* risk in the matter. I know risks are present in all financial transactions, and I've gotten over hoping for a chance to buy $15,000 worth of anything for $5,000. But I'm not willing to assume *all* the risk. So long as I continue in my senses, I'm not going to buy $5,000 worth of anything and pay $15,000!

I would not buy—or build—a home today because of the "incidentals" you read and hear about, but whose dimensions you never fully realize until you've been "one of the victims."

What do I mean by "incidentals"? Fuel, for example. With coal costing anywhere from $12 to $15 per ton, and with 10 to 15 tons necessary to any fair-sized house—well, that's an incidental I'd rather have my landlord worry about.

Another incidental is Commutation. I leave it to any out-of-town home-owner just how "incidental" this incidental is. Ten, twelve, sometimes fifteen dollars a month! When you're trying to build up an income on a small margin of profit, that's enough of a burden to give anybody pause.

Then there's the upkeep of the house and of the grounds around it. Every day, as it seems to me, the labor necessary to this sort of thing, especially for the man who has not the time, energy or talent to do it all himself, becomes more expensive—not to speak of the materials. But you can't put it off. The upkeep has *got* to be attended to. Otherwise, dererioration sets in, and your home, like an unkempt individual, looks seedy and unattractive.

Would Take Entire Surplus.

I would not buy—or build—a home for a reason not peculiar to my case alone. That reason is: To become owner of such a home as I would have to have, under present conditions, would compel me to utilize practically all of my surplus and practically all of my saving power in establishing and maintaining this one investment. In other words, I'd have to put all of my eggs into one basket.

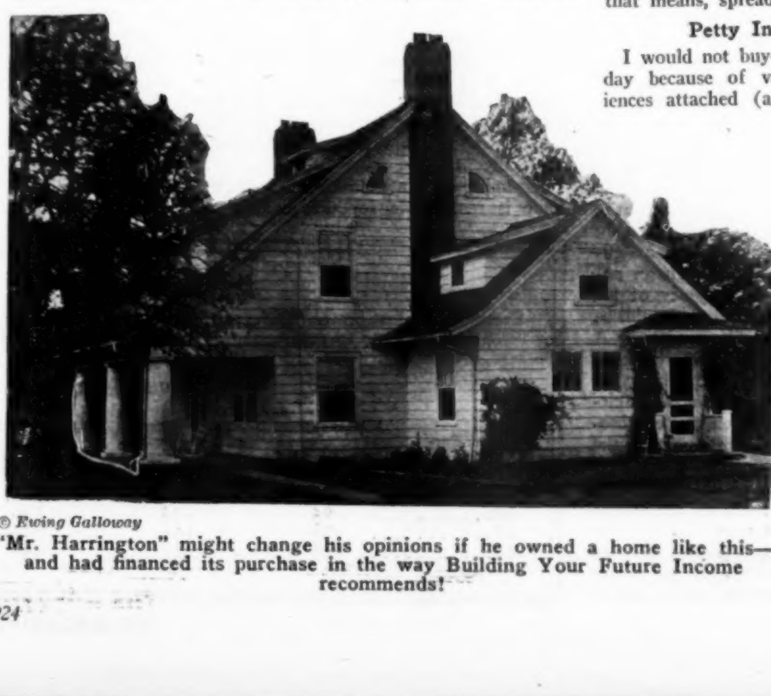
Why should I do this? It would mean, in large measure, staking my financial future on my home-building judgment—that is, on my judgment in a field which I have had no opportunity to study. It would mean tying up my modest resources in a medium which is notoriously unmarketable—unless you happen to strike it just exactly right. It would mean depriving myself of the wherewithal to take advantage of special opportunities for investment in other lines, if, as and when those opportunities occurred.

How much better (as it seems to me) to be a rent payer, as I am today—a cliff dweller in a city apartment—and utilize my surplus in the purchase of sound, immediately marketable investment securities—securities that I can know something about, whose immediate value is always immediately determinable, of which I could buy a diversity and, by that means, spread out my risk.

Petty Inconveniences

I would not buy—or build—a home today because of various petty inconveniences attached (as I see it) to home-owning as compared with apartment house living—the inconveniences included among flights of stairs that must be climbed, additional floor space and wall space and nooks and corners that must be cleaned, and all the other unattractive features of home-owning from the point of view of the one chiefly concerned—the housewife. She deserves a lit-

(Please turn to page 629)



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"Mr. Harrington" might change his opinions if he owned a home like this—and had financed its purchase in the way Building Your Future Income recommends!

How to Provide an Assured Income for Your Own Old Age

Also, How to Protect Your Parents Against Dependency

By Florence Provost Clarendon

This is the third and last article by Mrs. Clarendon in a series of descriptive discussions of Annuities.

It is particularly devoted to the problems of younger Income Builders and will repay a careful reading.

SOME years ago a play entitled "The Greatest Thing in the World" was produced in New York, and the theatre-goer whose curiosity was piqued by the elusive title found that the theme of the play was Mother Love. At holiday times, when wanderers return again to the old home, thrice happy they who find a mother waiting with welcoming arms—thrice blessed they whose life is cheered by this "greatest thing in the world"!

Many men and women are responsible for the maintenance of an aged mother or father who may be living with them, or who perhaps is still back in the old home passing the sunset of life among familiar scenes where the children were born and bred. *Protective care* as well as affection should be the portion of such old people in their declining years. This means provision for their welfare and maintenance not only during the life of the provider (son or daughter) but also provision that will not cease even *in event of the untimely death of the breadwinner.*

A man responsible for the support of his parents should see to it that in event of his death the support for which he is responsible will be continued for their remaining lifetime. He may prefer the personal touch of frequent contact during his own life, rather than settling a definite income on them—as through an annuity—but against the contingency of his death the care of his parents should be carefully and systematically arranged. A definite income regularly paid, with no responsibility of investing capital, is the logical means of provision in these circumstances. Such protection can be absolutely guaranteed *at moderate cost* by the purchase of a Survivorship Annuity. It is a protection that is within the means of a man of moderate income as well as the well-to-do business man.

This type of Annuity provides that, on the death of the purchaser, his beneficiary—the Annuitant—at once enters upon the comfort of a regular life income. If the person who is to receive such Annuity should predecease the purchaser, the contract becomes void, and no return is payable—unless the contract is drawn with the provision that there will be a return of premiums paid if the prospective annuitant dies prior to the purchaser.

This type of Annuity is an exception to the general contracts of this class in that a medical examination is required of the purchaser, since his health is of the utmost importance to the company making the contract. It would be an easy way for a man to provide an annuity for a relative if he could effect such a contract when in poor health; therefore due precaution is taken, and such annuities are only issued to the purchaser who is physically fit.

TABLE I

PREMIUM RATES ON A "SURVIVORSHIP" ANNUITY

Showing How a Young Man of 30 Could Provide an Income of $100 Per Month For His Father or Mother

For Father— Single Prem.	Annual Prem.	Age of Beneficiary	For Mother— Single Prem.	Annual Prem.
$988	$106	60	$1,256	$121
698	87	65	910	101
470	72	70	626	82

Assuming that a man of moderate income is responsible for the maintenance of his mother who is totally or partially dependent upon him, the Survivorship Annuity is a most desirable contract. For example, a young man age 30 can purchase a Survivorship Annuity for a mother age 60, providing an income of $100 a month at the son's death, for an annual premium of $121 (the annual premium payable only while *both* are alive), or a single cash payment of $1,254. This contract is *without return of premiums* in event of the prior death of the beneficiary. The income to the mother would commence on the death of the son. In case of the mother's death occurring before that of the purchaser of the Annuity, the contract is void, and for this reason it is possible to provide protection at a very low cost. If the beneficiary to be protected is a father instead of a mother the cost of furnishing a Survivorship Annuity is less because old men do not as a rule live as long as old women.

In further illustration, a young man age 30 could provide an income of $100 per month for his father or mother at the rates shown in Tabe I, herewith.

These Survivorship Annuities are also applicable and practical for the protection of old and valued employees and for those who have given faithful service in the household or office of their employer. Since he would not see such employees lacking needed help or comfort during his own lifetime, he may in this way provide for adequate protection during the declining years of faithful servi-

(*Please turn to page* 648)

TABLE II

Premium Rates on a "Deferred" Annuity showing how an income of $1,000 a year to commence at age 65 can be provided through this insurance form

ANNUAL PREMIUM

Age of Purchaser at next birthday	MALE Without return of premiums in case of death before age 65	MALE With return of premiums in case of death before age 65	FEMALE Without return of premiums in case of death before age 65	FEMALE With return of premiums in case of death before age 65
25	$73	$96	$82	$108
30	94	124	106	139
35	124	163	140	184
40	170	221	191	249

Points for Income Builders

Definitions and Explanations of Some Frequently-Heard Financial Terms

THERE seems to exist among investors considerable confusion as to the exact meaning and significance of certain oil statistics. Thus, the figures on Consumption of Crude Oil, as rendered, are frequently misinterpreted. There follows a brief analysis of this item which may prove of interest.

Crude Oil Consumption

The figures on Consumption of Crude Oil are the number of barrels delivered by pipe-lines to the refineries for their consumption.

The Consumption figures, as given, do not necessarily mean that that number of barrels of crude were worked up into finished products and that the ultimate consumer, the public, had used them up.

A false idea in regard to the extent of Crude Oil Consumption is often conveyed by reason of the fact that the refineries may be storing up crude against an advancing market, or perhaps because it does not pay to work the crude up into finished products under existing prices; or, the refineries may be working the crude into a finished product and storing it against a higher market—something which is now being done by most refineries with the gasoline; or, again, the refineries may be selling crude to the marketer or jobber to the public and he may be storing it against a rising market.

Thus, obviously, there are many places where crude oil originally disposed of to the refinery and immediately placed in the consumption figures may be sidetracked.

"Business Man's Investment"

This term may seem a trifle too obvious to justify a definition here. Of course, a "business man's investment" is such an investment as would be appropriate to the requirements of an average business man.

However, it may not be superfluous to note that the term "business man's investment" is not applied to mediums in which the element of risk is small. On the contrary, a business man's investment is always assumed to be one in which there is a profit possibility—and a corresponding margin of risk.

Manifestly, then, those in straitened circumstances, whose welfare would be seriously handicapped were their small surplus put in jeopardy, may well think twice before committing themselves to the "business man's investment." Rather let them decide in favor of the so-called "Gilt Edged" Investment, or the security which, while offering a comparatively small return, nevertheless represents a minimum of risk.

"For a Long Pull"

Investing "for a long pull" is investing on a semi-permanent basis. Such investing is the opposite of in-and-out trading, as practised by the more restless members of the investment army.

There's nothing short-sighted about investing "for a long pull." Quite on the contrary, this method of handling one's surplus has supporters who consider it far and away the wisest one of all. They point to the oft-referred-to Standard Oil stocks which, held steadily and persistently, through crises and through prosperity, have yielded income profits large enough to appeal to the most exacting taste. Also they point to the General Motors, General Baking, Gillette Safety Razor, Victor Talking Machine, Childs Restaurants and a host of other well-known securities which have piled up profits for their holders beyond their wildest dreams.

So far as we are able to judge, investing for a long pull *can* be commended as a wise policy—at least for those who have other things to do beside keep an incessant watch on the securities markets. However, there is one pitfall which besets those who invest in this manner—that is, in the jargon, "getting married to their holdings" or developing into a "sleeping investor," who does not pay proper attention to the developments affecting what he holds. If you do invest "for the long pull," watch out for this.

Life's Dreamers—No. 1

The man whose slogan was "A fortune or nothing!"

A Budget Plan That Will Help You in Your Journey Toward Financial Independence

By C. F. HAYES, JR.

IT is the purpose of this article to try to present to the readers of the BYFI Department a simple budget system which has resulted from several years of experiment in the writer's own case. To the man or woman struggling to build up an income for the later years, this article is especially directed, rather than to the person already existing upon a comfortable income derived from soundly invested funds.

Strictly speaking, the system is more than a mere budget. As a rule, we consider a budget as being simply a compilation of fixed allowances made for various expenditures throughout a year or some other period of time.

But, after all, it is neither how much we spend nor how much we receive that is of the greatest importance when taking stock of our personal finances. It is how much we save. There have been frequent references in THE MAGAZINE OF WALL STREET to this effect, and also in regard to personal budgets.

You cannot invest if you cannot save, and you cannot save efficiently unless you keep track of receipts as well as expenses—both to a reasonable extent. Hence this budget system, so-called, has been so arranged that one may not only see at a glance at any time if he is saving efficiently, but he may also properly plan improvements in his financial arrangements for the next year.

I say SAVE EFFICIENTLY. By that I mean handling your affairs in such a way as to be able to show the largest amount of money saved over a given period of time in proportion to your individual standard of receipts and expenditures. Each case must stand on its own merits, and for that reason I hold all attempts to set a uniform standard of expenditures to be absurd. Obviously, to try to set a uniform standard of receipts would be impossible. In this great country a man can practically set his own limit to sucess in this respect. But it is no more practicable to say (in regard to expenditures) that "ten per cent must go to charity," than to say (in regard to receipts) that "ten per cent must come as income from previously invested funds."

The equipment for my personal budget merely consists of—

1. *Loose, blank bank checks.*
2. *A Diary for the calendar year.*

That is all. But both speak volumes. And both are always to be found in my pocket.

I tear out of my check book a dozen blank checks at a time, and carry them in my wallet. The stub of the check book is entirely disregarded. Record of a check drawn (or of a deposit made) is at once noted in the Daily Account in the Diary, and includes every notation customary on a check-book stub.

The Diary—is an ordinary one, except that I prefer vest-pocket size. I also, to save excessive ruling, select one having the very common "Cash Account" for each month of the year. Generally there are other rulings also to be found, but which I absolutely disregard—and add three of my own, The Chart, The Receivables, and the Payables. My budget accounts are, therefore:

1. *The Chart.*
2. *The Daily Account. (For January, February, etc.)*
3. *The Receivables Account.*
4. *The Payables Account.*

Before studying the following illustrations of the above accounts, it is essential that this one fundamental rule be permanently borne in mind and NEVER violated:

Funds in your possession to spend must always have come through your bank account first. In other words, you must not take a ten-dollar bill, whether you got it as a gift, pay or otherwise, and put it immediately into your pocket to spend. Pay wherever possible directly by check, but draw a check payable to yourself for pocket money, or where you do not expect to be able to pay by check directly. I repeat—always be sure that all receipts—all new funds—go into your bank account first for record.

1—*The Chart*

	RECEIPTS				TOTALS		EXPENDITURES															
Divisions	Realization	Bonus	Income	Earnings			Living	Clothing	Insurance	Personal	Transportation	Educational	Dues	Recreation	Interest	Medical	Gifts	Toilet	Taxes	Effects	Savings
Estimations	...	...	$500	$2,500	$3,000	$2,500	$1,200	$250	$150	$100	$100	$50	$50	$150	...	$50	$50	$100	$100	$150	$500
Abbreviat'ns.	R	B	I	E	.....	.....	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Inv.
January....	$10	$40	100	300	450	160	150	...	...	5	...	..	15	5	...	..	..	5	...	...	100
February...	...	...	...	.....	.....	.....	....	...	...	...	...	..	..	...	...	..	..	...	...	...	...
March.....	...	...	...	.....	.....	.....	....	...	...	...	...	..	..	...	...	..	..	...	...	...	...
Etc........	...	...	...	.....	.....	.....	....	...	...	...	...	..	..	...	...	..	..	...	...	...	...
Etc........	...	...	...	.....	.....	.....	....	...	...	...	...	..	..	...	...	..	..	...	...	...	...
Totals......	...	...	...	.....	.....	.....	....	...	...	...	...	..	..	...	...	..	..	...	...	...	...

THE Chart is the backbone of the budget. On it are recorded both Receipts and Expenditures, classified into divisions (reading straight across the first line) which the writer has selected after years of adding and discarding. The reader may, however, change these to fit his or her especial case without affecting the principle of the system.

The estimations (reading straight across the second line) of both the Receipts and Expenditures for the year, are carefully decided upon when the Chart is prepared in the new Diary at the end of the old year. They depend entirely

upon one's individual standard, and the circumstances surrounding his or her case —especially insofar as living conditions and vocation are concerned. In the illustration of the Chart above, these estimations for the year have been set (purely for example) at $2,500 for expenditures, plus $500 to be saved during the year, based on estimated net receipts of $3,000, of which $2,500 comprises estimated earnings and $500 estimated interest which will be received during the year on invested funds. If one estimated division of expenditures is exceeded, another (or others) must be curtailed during the balance of the year.

The abbreviations (reading straight across the third line) are necessary for convenience in a small Diary when noting in the "Explanations" column of the Daily Account the division to which the entry is to be finally recorded on the Chart at the end of the month.

The Divisions of Receipts are:

R=Realization. ($10 received from sale of old clothes, etc.)

B=Bonus. (Money gifts, extra dividends, etc.)

I=Income. (Regular dividends, bank interest, etc.)

E=Earnings. (Salary, fees, commissions, etc.)

The Divisions for Expenditures are:

1=*Living.* (Food, rent, gas, electricity, etc.)

2=*Clothing.* (Wearing apparel and repairs, etc.)

3=*Insurance.* (Life, Health, Accident, Fire, etc.)

4=*Personal.* (Pocket money, and funds for all petty things.)

5=*Transportation.* (R. R. and car fares, not including vacations.)

6=*Educational.* (Subscriptions to magazines, lectures, books, etc.)

7=*Dues.* (Church, lodge, club, etc.)

8=*Recreation.* (Amusements, vacations, etc.)

9=*Interest.* (On house mortgage, insurance loan, etc.)

10=*Medical.* (Dentist, doctor, drugs, etc.)

11=*Gifts.* (Xmas, birthdays, charity, etc.)

12=*Toilet.* (Laundry, barber, toilet articles, etc.)

13=*Taxes.* (Federal, State, Municipal, etc.)

14=*Effects.* (Furniture, auto, and all personal effects not already classified in another division above.)

2—*The Daily Account*

MONTH OF JANUARY

Day	Check No.	Payee	Explanations	Received	Paid
1	1	City Club	1=150. 12=5. 7=15. 8=5. 4=5.	......	$180.00
1	2	A. B. Jones	Receivables Account No. 1	......	50.00
8	3	Myself	Receivables Account No. 2	......	50.00
10	..	Deposit	R=10. B=40. I=100. E=300.	$450.00	.....
20	..	Deposit	Receivables Account No. 1	50.00	.....
25	..	Deposit	Payables Account No. 1	100.00	.....
31	4	C. D. Smith	Payables Account No. 1	......	100.00
31	5	First National Bank	Inv.	......	100.00

I HAVE already mentioned that this account is kept by months and does away with the necessity of a check-book stub. Entries are made in it at once on the day of any month in which a withdrawal from (or deposit in) the bank is made. Its balance is, therefore, your bank balance at any time. At the end of the month all entries are recorded in the other three accounts, and it is then closed with the balance carried forward to the account for the next month.

The letters or figures in the column marked "Explanations" refer to the divisions (of which they are the abbreviations) on the Chart where you intend to record the entry permanently at the end of the month. Be sure you select the right abbreviations, for if you do your charting will be an easy matter at the end of the month.

A word of caution is also needed in regard to the whole of the Daily Account. It must show everything taken in or paid out, with the result that often its totals for the month are gross rather than net. The reason for this is that usually during the month money is taken in or paid out—or both—which does not really mean a receipt or expenditure to be classified in one or more of the divisions of the chart at the end of the month. Thus, a loan either from or to you, and the repayment of the same. Such items go into the following Receivables or Payables Accounts respectively at the end of the month, while the net (i. e., the actual or true) receipts and expenditures go into the Chart.

Every entry in the Daily Account is, therefore, at that time transferred either to the Chart, Receivables or Payables Accounts.

3—*The Receivables Account*

Mon.	Day	No.	Due Back From	Partial Payments	Paid	Amount
Jan.	1	1	A. B. Jones		Jan. 20	$50.00
Jan.	8	2	Myself		......	50.00
....	..	3	......		......	.....

AS has just been explained, an entry goes here at the end of the month from the Daily Account rather than into the Chart, when money is to be eventually repaid back into your bank account, and from which it is now drawn for some special purpose, or is now being repaid.

Hence, the purpose of this account is to take care of any entry in the Daily Account which represents an expenditure which has not "gone for good' 'or the repayment of such an expenditure made at some previous time. Thus, you loan Jones $50 on January 1, and he repays you on January 20. See the entries in the Daily Account and in this one. Any interest on the note would, of course, be entered in division I (Income) of Receipts. So, too, you want $50 in your pocket for an emergency, but do not expect to spend it. You draw a check payable to yourself. If you fail to pay it back, the end of the year will show in this Receivable Account that you owe your bank account $50. Either carry it forward with any other "Receivables" to the Receivables Account for the new year to still try to pay back, or record it before the end of the old year as an over-

(Please turn to page 642)

How The Magazine of Wall Street Serves Men and Women of Average Means

Some Letters From Readers That Describe the Magazine's Wide and Human Appeal

Here is a little glimpse behind the scenes in the offices of The Magazine of Wall Street.

THE editors have convened in weekly session to map out plans for the future. A veritable deluge of ideas, innovations and elaborations has come up for discussion. The problem has become one not so much of bringing out ideas as of choosing between ideas already propounded.

"Why rely entirely upon our own judgment?" somebody asks.

The rest gaze at him in mild surprise. "Unfortunately," somebody else replies, with what is obviously intended to be withering sarcasm, "Unfortunately, we can't *very well* shift the responsibility. You see—er, you see, we *happen* to compose the editorial board."

But the attempted hit makes no impression.

"Perhaps it hasn't occurred to you," returns the first speaker, "that there is a board considerably higher than our own which passes on everything we do—O. K.'s it or condemns every action we take and every word we write."

For a moment, there is a hostile silence. Then somebody with liberal tendencies mutters, "Let's not get into a religious wrangle now!"

"Oh, don't be an ass," retorts the first speaker, who has a reputation in his circle for his mild and courteous manner. "The board I'm referring to is made up of real, every-day, flesh and blood men and women."

"Perhaps," suggests the sarcastic one, "Perhaps you would not mind enlightening us somewhat . We are willing to concede some slight difficulty in following you."

"Gladly," comes the reply. "The board I'm referring to is made up of anywhere from fifty thousand to one hundred thousand people. These people are in every walk of life—they are drawn from all classes. Some of them are very wealthy, some of them not so wealthy, some of them just fairly well off. You will find them in every state in the Union—and you will find thousands of them in foreign countries. They have one trait in common, however. That is, they all look upon money as a means to an end—as something that helps you get what you want. Also, they all aspire to the same condition—that is, financial independence. The average of intelligence which they represent is proven, by document, to be remarkably high. They are progressive, energetic, enterprising and wide-awake. In the last analysis, they and their kind are the ones who run this country—just as they are the court of last resort which passes upon what we do, and whom we are called upon to serve. I refer, of course, to our readers."

"My apologies!" concedes his erstwhile opponent, heartily. "My humble apologies. Now that you have explained, we withdraw all previous comments. Our readers undoubtedly *are* the best judges of what we do, and their opinions and preferences and requirements *are*, obviously, the one best standard for us to tie to. But—the difficulty lies in learning just what those opinions and preierences and requirements actually happen to be. After all, aren't we *bound* to more or less grope in the dark, when it comes to that?"

"Not at all," replies the first speaker.

(*Please turn to page* 648)

December 18, 1923.

The Magazine of Wall Street,

Dear Sir: I have been interested in reading various financial reports over a period of years both for the information concerning investment securities and speculative possibilities.

I usually submit my ideas to someone of good standing in my community before acting and I have found the greatest average of good advice to have accrued from The Magazine of Wall Street *than from any other single source.*

I, therefore, consider it a very safe guide for the physician or other professional man who may have an occasional surplus to invest.

Yours very truly,
J. Ivimey Dowling, M.D.
Albany, N. Y.

December 6, 1923.

The Magazine of Wall Street,

Dear Sir: I would say that the reasons that induced me to subscribe to your magazine were: (1) *The information given on the state of the market and on influences operating from time to time seem unbiased and based upon authentic information, as far as I am able to judge.* (2) *While I am but a small investor and NOT A SPECULATOR nevertheless I wish to buy what is likely to advance so that, if a sale becomes advisable, I may gain rather than lose.* (3) *I have bought copies occasionally ever since the magazine was launched. It now contains so many different departments, so much interesting and valuable information, I thought it worth while to subscribe for it annually.*

Yours truly,
S. McKee Smith.
Staten Island.

SERVICE · SECTION

TRADE TENDENCIES

Business Generally Quiet

Signs of Increase in Manufacturing Operations—Price Conditions Firm

THE TREND IN MAJOR INDUSTRIES

STEEL—Mills increase output moderately as demand continues to expand. Volume of orders considerably above December rate. Conditions shaping to favor sellers rather than buyers of steel.

METALS—Copper rallies slightly after declining to year's lowest price. Production still in excess of market requirements. Small supply of lead for immediate needs responsible for premium prices. Stocks of zinc increase.

OIL—Gasoline and crude oil prices continue advance as margin between production and consumption shows further indications of decreasing. Improvement in situation encourages renewal of drilling campaigns.

TEXTILES—Spirit of marked conservatism still dominates distributors of cotton and woolen goods. Silk industry in better position with demand increasing and production expanding slightly.

TIRES—Manufacturers increasing operations in preparation for spring business. Industry in good position as a result of curtailment in latter part of 1923.

SUMMARY—Operations at industrial plants are, in most instances, being increased in anticipation of spring demands. These changes are, however, not especially marked and the situation, viewed broadly, is generally one of quiet. A policy of conservatism dominates practically all current transactions and plans for the future. There is little to suggest material modification of present price levels or conditions of employment.

STEEL

Orders Increase

THE advantage in the steel market is now definitely with sellers. Fabricated steel quotations have risen $5 a ton in the past two weeks and while the general level of prices is only slightly higher, there is no question as to the underlying tendency. Orders are accumulating at the mills and demand has broadened to include a wide field, steel plates being practically the only backward item.

The sustained pace of building operations is mirrored in structural steel buying. Improvement in the position of the farmer may be held accountable for increased activity of farm implement makers, a moderate revival of railroad equipment demand is noted and continuous advances in crude oil prices have stimulated renewed interest in pipe and related products.

The Steel Corporation's unfilled tonnage statement for December, showing the first gain in unfilled orders since last March, may be accepted as evidence of a definite turn since the trend of events in the past few weeks is suggestive of further piling up of business at the mills. Production has been allowed to expand to some extent, but buying has apparently gained sufficient vigor to take up the increase in active capacity.

There is, however, little in the situation to presage the appearance of excited buying or wide fluctuations in existing prices, on the contrary, the present period of comparative stablity will probably be extended into the future with further moderate improvement.

COAL

Consumers Well Stocked

The advent of colder weather has caused a temporary break in the monotonous quiet which has characterized the coal markets for many weeks past. Fundamentally the situation is unchanged however, and there seems small prospect for more than minor rallies in the near future. Production of soft coal, after declining since the early part of September, shows some tendency to stabilize around the 10 million ton-a-week mark as the industry has apparently adjusted itself to current conditions. That is, higher cost producers have, in many instances, been forced to suspend mining operations because of low prices.

With the elimination of some excess production, the going needs of industry are sufficient to provide an outlet for current output. Meanwhile consumers have accumulated the largest reserves in many years and fact the possibility of a labor disturbance on April 1, with equanimity. It is rather early to venture predictions as to the likelihood of a strike, but surface indications suggest that an agreement will be reached before expiration of present wage agreements.

The position of the industry is now such that satisfactory earnings are accruing to none but the companies with low operating costs. For these, the tendency toward equilibrium between demand and production with its attendant effect upon prices is favorable, but only in a negative sense. In other words, while conditions are getting no worse, they show little disposition to improve sharply.

(*Please turn to page* 633)

COMMODITIES

(See Footnote for Grades Used and Unit of Measure)

	1923 High	1923 Low	1924 *Last
Steel (1)	$46.25	$36.00	$40.00
Pig Iron (2)	31.50	20.00	21.00
Copper (3)	0.17½	0.12	0.12½
Petroleum (4)	4.10	2.25	3.65
Coal (5)	4.25	1.88	1.88
Cotton (6)	0.37¼	0.22	0.33¾
Wheat (7)	1.38	0.97	1.10
Corn (8)	0.97	0.68	0.77½
Hogs (9)	0.08½	0.06½	0.07⅛
Steers (10)	0.10¼	0.08¼	10.00
Coffee (11)	0.13	0.10½	0.10¾
Rubber (12)	0.37	0.25	0.26
Wool (13)	0.58	0.54	0.55
Tobacco (14)	0.24	0.18	0.22
Sugar (15)	0.08½	0.05½	0.06½
Sugar (16)	0.10½	0.07	0.08⅜
Paper (17)	0.04¼	0.03¾	0.04

* Jan. 22.

(1) Open Hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Pennsylvania, $ per barrel; (5) Pool No. 11, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 Red, Chicago, $ per bushel; (8) No. 3 Yellow, Chicago, $ per bushel; (9) Light, Chicago, $ per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium Burleigh, Kentucky, — per lb.; (15) Raw Cubas 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.

Public Utilities

Westion Union Telegraph Co.

Is Western Union Attractive on Its 6.30% Basis?

The Corporation's Brilliant Record —How Its Facilities Have Grown

THE common shares of the Western Union Telegraph Co., selling to yield only a trifle more than 6.30%, are apparently the lowest-yielding utility security on the Exchange, at present prices. Such securities as American Telephone & Telegraph, and Brooklyn Edison, even, offer a larger return, both of these at current levels assuring an income yield of over 7%. Of ten quite representative Utility common stocks, as dealt in on the Exchange, the average present yield is 7.45%, or a good 1% more than Western Union.

Is this comparatively small yield, as offered by Western Union, a sufficient reason, in itself, for postponing an investment in the stock? Some people may think so. But, for those who take the opportunity to look into the factors contributing to this low yield, the tendency is more toward viewing it as a badge of particular merit than as a suggestion of inferiority.

Western Union's Fine Record

The fact is that Western Union, through a history dating as far back as 1851, and especially in recent years, has hung up a record not duplicated by many other corporations. Entrenched in an essential field, its affairs handled by an alert and aggressive management, Western Union's record in the last decade has been little short of brilliant. A glance at the accompanying table will show how Western Union has built up its Gross Revenues from 45.8 millions in 1913 to 114.0 millions in 1923.

In other words, the corporation's Gross Revenues last year were nearly three times as great as in the first year of the decade.

Throughout the stormy war and post-war period, which witnessed the severe weakening, if not the total demolition of so many other corporate structures, Western Union maintained a very strong financial position and was able to show a large earning power. It is interesting to note that, for the seven years to and including 1922, the corporation maintained an average working capital of some $19,000,000, and that the lowest ebb in 1920 saw an excess of current assets over current liabilities of 10.5 millions.

Liberal Depreciation Policy

The Western Union's managers have pursued a liberal policy in respect of depreciation and reserves. Over $1,500,000 has been set aside to this account on the average, in each of the last 8 years. This has not interfered, however, with a very good showing in respect of bond interest and dividends. The company, in 1921-23, respectively (or the period of the present funded debt), covered bond interest 6.89, 7.60 and 7.50 times. Its earnings per share in 1920 were $13.33; in the bad year 1921, they were $9.65; in 1922, $13.19, and in 1923, with one month estimated, they reached nearly $14.00.

Last year, and in 1922, when radio communication was taking its giant leaps forward to its present place in industry, there was much talk about the "dangers" of radio competition from the point of view of the telegraph lines. Lower tolls were cited as an indication of the pressure radio might bring to bear, and rapidity of transmission was also put forward as a plate in radio's armor.

As for Radio Competition

While it would be idle to deny that radio has won away a very sizeable chunk of the world's communication business, the tendency in this connection does not seem to seriously threaten the telegraph lines. We have seen that, in the past three years—or the period of radio's greatest development—Western Union's gross business has reached its greatest dollar volume. Evidently the secrecy and certainty of receipt common to telegraph messages, as contrasted with radio, has maintained their appeal.

Furthermore, it may be noted that the period which has seen radio developed so greatly, has also witnessed a very considerable extension of Western Union's facilities. A program calling for cables *via* the Azores, which will connect up Germany, France and Italy, has been aggressively pushed, and this, with Western Union's existing network of land and cable lines, will give it a system that truly girdles the world.

In the mechanical features of its operations, too, Western Union has pushed steadily forward. A recent announcement is important in this connection, as follows:

"The perfection of a new type of submarine cable, which would increase enormously speed, effectiveness and traffic capacities over almost unlimited lengths, obviating the necessity for relay stations, was announced by the Western Electric Co.

"The new cable, which was adopted by the Western Union for its latest high speed link between New York

A STATISTICAL PICTURE of WESTERN UNION'S RECORD

	Gross Operating Revenues	Surplus for Year†	Times Bond Int. Earned	Per Share of Common Earned	Per Share of Common Paid
1913....	$45.8	$0.2	3.42	$3.24	$3
1914....	46.3	1.4	5.01	5.33	4
1915....	51.2	5.2	8.61	10.19	5
1916....	62.0	7.6	11.18	13.59	6
1917....	76.7	7.4	11.78	14.40	7
1918–19.	War Control				
1920....	54.3	6.3	10.99	13.33	7
1921....	104.1	2.6	6.89‡	9.65	7
1922....	107.1	6.1	6.70	13.19	7
1923*...	114.0	7.0	7.0	14.00	7

* Partly estimated. † In millions of dollars. ‡ Gold 6½s of '36 dated Aug. 1, 1921, $15,000,000.

and the Azores, it was estimated, would have a speed of 1,800 letters a minute over 2,300 miles—the fastest communication ever devised over such a distance. Connecting with another cable running to Italy, it would provide greatly improved service to southern France. It was stated the new process would revolutionize world communication."

Conclusion

Altogether, a scrutiny of Western Union, conducted with an eye to weighing the merits of its shares on the present comparatively low yield basis reveals a considerable preponderance of favorable factors. The corporation seems to merit first ranking in respect of its record, the calibre of its management, its demonstrated earning power and its potentialities. In addition, it is notable that Western Union's common shares are next to its bonds in claim upon earnings—there being no preferred issue—and the margin of earnings over requirements, considered in conjunction with a Total Surplus of close to $55,000,000 seems to preclude any probability of financing to meet expansion.

On its 6.30% basis, Western Union apparently is discounting factors which are peculiar to its case. The stock is recommendable as a first-class stock investment in which the risk element seems very small.

An Attractive Investment Program in Public Utility Stocks

Offering an Income-Yield of About 7.45% on the Investment at Present Prices — High Degree of Security

THE Public Utility common stocks, as listed on the New York Stock Exchange, would seem to merit careful consideration on the part of the man with an Investment Program in mind. Through them, he can obtain a very considerable diversification in the character of his commitments. They offer, in several cases, about as high an element of security as will be found in any other common-stock group. The companies behind these securities, in most cases, deal in what have become necessities of life, and thus possess an earnings field of great stability and permanence. Also, as remarked here previously, the supervision to which the utilities are subject tends to keep over-reckless management policies in check, where such tendencies exist, at the same time that it amplifies competent management.

What Utility common stocks might be selected for an investment program, from those listed on the New York Stock Exchange—and enjoying the greater marketability which that implies—is suggested in the accompanying table.

Ten Leading Organizations

By committing his funds to such a list as this, the investor would secure a part-interest in each of ten of the country's leading utility organizations. His money would be put to work in a field embracing telegraph and telephone communications; electric and gas light and heat power. Furthermore, as will be noted, the companies comprising the list are widely-flung, geographically, with at least one of them (Western Union Telegraph) of international dimensions, and at least one other (American Telephone & Telegraph) of nation-wide dimensions.

The requirements of the simon-pure investor would, in very large measure, be met by this list. Practically the entire list is of a true investment character, with the possible exception of the last one. As for the speculator, it might be held, with some justice, that the profit-potentialities of this program would be rather restricted. Nevertheless, there are several yields in it which seem out of line and these—notably, Pacific Gas & Electric and Consolidated Gas and, as a leaven, Public Service Corporation of New Jersey—may be counted upon to supply the desired drift toward capital appreciation, at least in the long run.

Some Notes on the Companies

The total market price of the ten securities, as listed, is $814. Thus, an individual with, say $8,500 to invest, could quickly suit his purposes by the purchase of 10 shares of each of this group. His return would not be large, perhaps—an average return of 7.45% on the investment—as compared with certain highly speculative industrial stocks which could be mentioned and which offer yields up to 10% and more. On the other hand, a 7.45% return would seem a very satisfactory one, considering the security conveyed, and is manifestly better than the return that could be had from long-term, or poorly marketable securities to which, in order to secure a higher margin of safety, the investor would probably have to turn.

The calibre of the companies behind the securities included in this list needs little elaboration. WESTERN UNION TELEGRAPH, for example, is thoroughly analyzed elsewhere in these pages, and the company's great financial strength and the progress it has made in recent years in respect of earnings and extension of mechanical facilities is now public knowledge. Its shares may undoubtedly be ranked among the first-grade common stocks now available.

AMERICAN TELEPHONE & TELEGRAPH has been frequently described here. The fact of chief interest in connection with its common capital, perhaps, is that brought out in connection with its more recent financing operations, viz., that the company's earning power builds up in very close correspondence with the amount of its capital investment. That is to say, over a long period of years American Telephone & Telegraph, due to the essential nature of its field, has found profitable use for every dollar of capital at its disposal—and its total capital exceeds one billion dollars. That American Tel. & Tel.'s common shares should sell in the present market to yield over 7% is attributable more to the relatively high cost of money (speaking in terms of decades) than to any other factor, and the least prejudiced analysis of the corporation's position and condition must lead to a favorable opinion of its shares.

In BROOKLYN EDISON we have the common shares of a corporation which is rapidly forging ahead in one of the large and fast-growing communities of the country. A progressive management policy, coupled with a field of wide potentialities, have contributed to its development, and it now ranks among the strong utilities of the east.

The other securities in the list offer various shades of investment appeal with the speculative element (as the yield comparison would indicate) chiefly represented in the common shares of the P. S. C. OF NEW JERSEY. Probably the high-yield basis on which this latter security sells is chiefly attributable to its comparatively unseasoned character, and over a period of time this condition should remedy itself. In any event, the high-yield issue serves to jack up the average return from the whole list, thus rounding off the appeal of the full program from the standpoint of the average investor.

THE PROGRAM

Price Range 1923 High	1923 Low	1922 High	1922 Low	Corporation	Current Dividend Rate	Recent Mkt. Price	Yield at Rec't Price %
119½	101⅛	111½	107	Western Union Telegraph	$7.00	110	6.36
121½	104¼	115¾	111	Brooklyn Edison	8.00	114	7.01
128¾	119⅛	129½	125⅛	Amer. Telephone & Telegraph	9.00	128	7.03
97⅞	86	98½	94⅞	People's Gas, Chicago	7.00	95	7.36
111	100¼	108¼	105½	Detroit Edison	8.00	107	7.47
114*	91⅛*	36½	34¾	Col. Gas & Electric	2.60	35	7.60
69⅜	56¾	64⅛	60⅞	Consolidated Gas	5.00	64	7.80
24¼	17½	25	22	North American Co	2.00	24	8.33
94⅞	73	95	90⅛	Pacific Gas & Electric	8.00	94	8.51
.51½	41½	44½	42	Pub. Serv. Corp. of N. J	4.00	43	9.30

Total market price, $814. Total dividend income, $60.60. Yield from entire group, 7.45%.

* Old stock.

Petroleum

Marland Oil Company

How Did Marland Come Through the Depression?

1923 Net Shows a Big Decline from that of 1922—Needs Additional Capital for Development—Stock Has Shown Substantial Recovery from 1923 Low—The Prospects

By J. F. FIELDING

AS a listed dividend payer, the history of Marland Oil has been brief. Traded in on the New York Stock Exchange for the first time May 18, 1921, it paid an initial dividend of $1 a share September 30, 1922. Last year the company paid three quarterly dividends of $1 each, and on September 13, the directors voted to pass the dividend. The passing of the dividend synchronized with the long decline in oil prices which began about the middle of April, 1923, and reached bottom in November of last year.

Marland a Newcomer

Marland has not been before the public long enough to warrant it being regarded as a thoroughly seasoned concern. Moreover, since it is a holding company and does not report the earnings of its subsidiaries, it is difficult to get a satisfactory line on the company's affairs. The holding company owns approximately 100% in the outstanding stock of the subsidiaries named in the accompanying table.

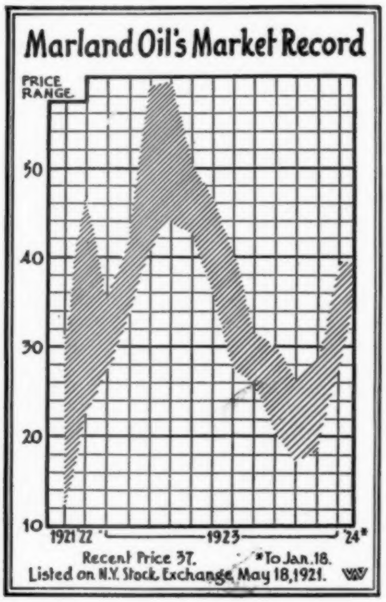
With the exception of the Kay County Gas Co. which is upwards of twelve years old, all Marland's subsidiaries are young companies. The parent holding company was incorporated in 1920 under the Delaware laws. In almost each instance the subsidiary was acquired by exchange of Marland stock for stock of the subsidiary.

Marland has 2,000,000 shares of no par stock with 1,082,116 shares outstanding. Capital and surplus totaled $62,624,740 as on August 31, last, which gives a book value of approximately $57 a share on the outstanding stock.

No Preferred Stock

Marland has no preferred stock. Its chief bonded indebtedness consists of $3,194,000 10-year 8% sinking fund participating series "A" bonds outstanding of an authorized issue of $4,000,000. In addition to 8% interest per annum, these bonds are to receive $10 per $1,000 bond for each dollar per share per annum of dividends declared on capital stock up to $4 per share so declared. In other words, if Marland went on a $4 basis each holder of $1,000 par of bonds would receive $120 annually or 12% on par. This issue falls due April 1, 1931. There is, of course, nothing to prevent the company's increasing the outstanding capital stock and thereby cutting down the participating payments to the bondholders without reducing the returns to the stockholders.

There are outstanding $2,699,000 7½% sinking fund series "B" bonds, due April 1, 1931, of an authorized issue of $3,000,000, and $3,307,249 purchase money lease obligations payable April, 1924, to December, 1926. The Marland Tank Line Co. has $871,000 8% equipment trust certificates due, $175,000 each December 15 to 1927, inclusive and there is a small total of $75,605 of tank car notes payable $6,873 monthly to August 1, 1924, inclusive. The total of the company's funded indebtedness, then, is about $10,000,000.



In the matter of earnings, Marland has done very well with the exception of 1921, when the company showed a deficit. Its earnings statements compare as shown in the accompanying table.

In the year 1918-1920, inclusive, no statement of deductions for depletion and depreciation were reported and none were made in all probability since the total deductions before net were only a few hundreds of thousands of dollars. In 1921, the company charged off $2,239,000 for those purposes, and $2,708,000 in 1922. It will be noted that the earnings for 1923 are figured before depletion and depreciation. In addition, the crux of the decline in oil prices was reached after August 31, last, so that taking both factors into consideration, it

MARLAND OIL SUBSIDIARIES

Subsidiary	Incorporated When	Incorporated Where	Par	Capitalization Authorized	Capitalization Issued	Owned by Marland Group
Marland Refining Co.	Nov. 18, 1916	Okla.	$5	$5,000,000	$4,966,223	$4,904,800
Kay County Gas Co.	Dec. 18, 1911	Okla.	1	10,000,000	6,992,289	6,984,059
Alcorn Oil Co.	Dec. 1, 1921	Del.	no	50,000	50,000	50,000
Tom James Oil Co.	June 9, 1919	Tenn.	no	200,000	154,104	154,104
Kenney-Cleary Oil Co.	April 24, 1919	Del.	100	10,000	9,106	9,106
Francoma Oil Co.	Oct. 20, 1919	Del.	10	130,000	68,000	68,000
Marland Tk. Line Co.	Nov. 29, 1920	Del.	100	100	100	*100

* All owned by Kay County Gas Co.

MARLAND'S EARNINGS RECORD

	1918	1919	1920	1921	1922	1923 (Est.)
Gross earnings...	$2,616,751	$5,090,960	$9,326,944	$8,883,608	$17,511,842	....
Gross income.....	1,940,696	2,570,585	5,618,748	3,005,559	8,092,124	....
Net income.......	1,813,350	2,406,542	5,242,615	†675,606	4,486,799	*$2,340,000
Dividends	....	....	....	....	1,822,938	1,929,000
Surplus for year..	1,813,350	2,406,542	5,242,615	†675,606	2,663,861	411,000
Earned on outstanding stk. per sh...	$2.15	$2.85	$6.21	.....	$4.83	.....

* Before depreciation and depletion. † Deficit.

appears that the 1923 year, notwithstanding the record gross earnings, will show much less favorably than 1922. In this respect Marland is in line with the general run of oil companies.

While Marland's balance sheet as of August 31, last, showed a balance of quick assets over quick liabilities or working capital nearly $10,000,000, it was apparent that before the end of the year that company needed additional funds to carry over the bad period. It was first decided to sell as much of the unissued treasury stock as was necessary to provide the additional capital, which was ratified at a special meeting of the stockholders, which was set for January 24. A $15,000,000 bond issue, which would have been used in part to take care of the company's present funded indebtedness, was called off at the last moment on the grounds that the improvement in the oil industry made the issue of further bonds unnecessary. It it, of course, much more to Marland's advantage to finance by the sale of stock than by increasing its fixed indebtedness. Recently the company received permission to list 68,600 shares of its stock, which was to be exchanged for 548,800 shares of the Marland Oil Co. of Mexico and 74,468 shares of stock to be exchanged for 1,750,000 shares of the Consolidated Oil Companies of Mexico.

Outlook for Marland

Marland is a big oil company in the development stage and came through a bad oil year creditably. The company requires further funds for its development plans and doubtless has sufficient resources to raise the money. **Marland, on account of its youth and dividend record, is not entitled to be regarded as a seasoned company. Since the low of 17½ reached last October, its stock, however, had shown a substantial recovery and a further improvement in the oil situation would doubtless mean higher prices for the issue.**

How Magnolia Petroleum Took Advantage of Oil Depression

Already Has Large Profit on 20,000,000 Bbls. of Stored Oil—Stockholders Have Been Liberally Rewarded — Company's Outlook

MAGNOLIA PETROLEUM'S MARKET RECORD

	High	Low
1918........	480	295
1919........	525	360
1920........	470	315
1921........	*165	*110
1922........	259	150
1923........	†166	†123

Recent, 155.

* After 100% stock dividend.
† After 50% stock dividend.

ALTHOUGH a $180,000,000 corporation, and marching under the banners of the Standard Oil, the Magnolia Petroleum Co. attracts less attention than some other Standard Oil concerns. One reason is that the company's stock is not listed on the Big Board and is not a notably active issue on the Curb, where it is bought and sold. Nevertheless, Magnolia Petroleum is a very considerable concern, being the largest producing, pipe-line, refining and marketing organization in the southwest territory. It has $180,000,000 capital stock, all outstanding, par $100, of which 1,238,827 shares, or 68%, is owned by the Standard Oil Company of New York. Magnolia's funded debt consists of $8,588,000 1st mortgage 6s, due January 1, 1937, of which $1,412,000 have been redeemed.

A Large Dividend Payer

This company was organized in April, 1911, under the laws of Texas. It owns and operates three modern refineries located at Beaumont, Fort Worth and Corsicana, Texas, and pipe-lines in Texas, which extend to the Healdton and Cushing fields, Okla., and to Electra-Burkburnett, Eastland and Stephens fields in Texas. Production in Oklahoma, Texas and Kansas is from 25,000 to 30,000 bbls. per day. The company operates 621 distributing stations in Texas, Kansas, Oklahoma and Arkansas, and has contracts to produce various grades of refined oil with the Standard Oil Co. of N. J., Standard Oil Co. of New York, Standard Oil Co. of Kentucky, Anglo-American Oil Co., Ltd., and the Union Petroleum Co. of Philadelphia. It also owns distributing stations in New Mexico.

Stockholders of Magnolia have been well rewarded in recent years. The stock was increased from $30,000,000 to $60,000,000 by a 100% stock dividend in 1918, and to $120,000,000 by another stock dividend of 100% in March of 1920. In December, 1922, a stock dividend of 50% brought the authorized and outstanding capitalization to its present figure of $180,000,000. In addition, the company has paid cash dividends per share in recent years as follows:

Year	Amount
1916	$6.00
1917	6.00
1918	7.00
1919	8.00
1920	8.00
1921	6.50
1922	6.00
1923	4.50

Since 1917, the outstanding stock has been sextupled. Had there been no increase in stock the theoretical price of Magnolia today, based on the market for the present stock, would be approximately $900 per share. In the six years since 1917, the stockholders have received $40 in cash in addition to the stock dividends. In March of last year the directors declared a quarterly dividend of $1.25 a share, increasing the annual dividend rate from $4 to $5.

Prominent in Powell Field

Owing to its location, Magnolia Petroleum has been one of the leading companies in the development of the Powell field in north-central Texas. This field, it will be recalled, was the oil sensation of the year. Its production rose to a daily average of more than 300,000 bbls. In conjunction with the flush production in southern California, the output of the Powell field badly disorganized the crude and refined oil markets of the country. Magnolia has had the foresight and the finances to take advantage of the depression in the industry which marked the major portion of 1923, buying about 20,000,000 bbls. of crude oil, nearly half of which was purchased at the low prices of the year. In the Powell field alone the company purchased about 7,000,000 bbls. at from 75c. to $1.00 a bbl., and at present market has very substantial profits on its holdings.

Selling at 155 a share, the stock of the Magnolia Petroleum Co. is at a price which reflects its possibilities rather than the immediate return which is only 3.2% on the present dividend rate. In this respect it is in step with the other Standard Oils. **A continuance in the improvement in the oil situation will mean much to Magnolia, and will, of course, be reflected in the price of its stock.**

Mining

Two Mining Companies of Merit

Review of Calumet & Arizona and Hecla Mining's Activities in 1923—Their Prospects and Investment Status

Calumet & Arizona's Status

PRODUCING 40,000,000 lbs. annually at a cost of between 11c. and 12c. a pound after depreciation and before depletion, the Calumet & Arizona has been able to maintain dividends in good times and bad. The good-time dividends have, as is to be expected, been considerable larger than those of poor times, but that the company has not been compelled to pass its dividend entirely in recent years speaks well for the property and management.

Incorporated in 1901 as a reorganization of the Lake Superior & Western Development Co., Calumet is in its twenty-fourth year. It owns approximately 2,100 acres of mineral lands in the Warren district, and a 640 acre smelter site at Douglas, Arizona. In 1915, the company acquired the Superior & Pittsburg property, having previously, in 1913, purchased the American-Saginaw Development Company adjoining the Superior & Pittsburg property. For the latter it issued 16,000 shares of Calumet & Arizona stock. In December of that same year, it purchased the property of the Calumet & Bisbee Development Co. for $60,000. In 1914, Calumet & Arizona acquired 68.32% of the stock of the New Cornelia Copper Co. which is Calumet's most important subsidiary. In 1920, the Eighty-Five Mining Co. near Lordsburg, New Mexico, was purchased. During 1917, the New Cornelia Company absorbed the property of the Ajo Consolidated Copper Co.

Calumet & Arizona has no funded debt, and an authorized issue of $6,500,000 capital stock, par $10, of which $6,425,240 is outstanding. In 1907, the stock sold up to nearly 200 a share on the Boston Stock Exchange. Its extreme ranges for the last seven years follow:

	High	Low
1917	85¼	55
1918	73½	61
1919	86¼	56½
1920	69	39¾
1921	60	40½
1922	66	50
1923	66	42

Recent, 46.

Calumet & Arizona has net current assets in excess of $10 per share, good management, adequate ore reserves and costs which enable it to show fair profits on even sub-normal copper prices. Its earnings, and hence its dividend rate, are, therefore, primarily dependent upon copper prices. On the present copper market, Calumet is probably not earning its $2 dividend with any considerable balance to spare. **Inasmuch as the stock returns only 4.3% at a price of 46, and inasmuch as there is no prospect for an immediate and considerable improvement in copper prices, it would seem that Calumet & Arizona can hardly be considered as on the bargain counter at the present time.**

CALUMET & ARIZONA'S OUTPUT

	Pounds		Pounds
1913	52,622,000	1919	45,000,000
1914	50,000,000	1920	42,431,000
1915	63,127,000	1921	17,856,000
1916	70,702,000	1922	30,830,000
1917	59,132,000	1923*	40,000,000
1918	51,000,000		

* Last 2 months estimated.

TEN YEARS' DIVIDENDS

1913	$5.00	1919	$3.00
1914	8.00	1920	4.00
1915	3.25	1921	2.00
1916	9.00	1922	2.00
1917	11.00	1923	3.50
1918	8.00		

Hecla Prepares to Resume

PREPARATIONS for the resumption of mining operations by the Hecla Mining Company have been reflected in the price of the company's stock which recently sold up to 9¼, which was close to the highest price in recent years. Last July a disastrous fire, fortunately unattended with loss of life, destroyed the company's entire surface equipment. This fire, however, resulted in no great monetary loss as the plant was insured for $337,000, and in addition the company has a million dollar "use and occupancy" insurance policy designed to protect the company from loss of profits for that amount over a year's time. If Hecla has started operations by the time this appears in print, it should have received approximately $500,000 in insurance money, which, in addition to the $880,000 net reported for the months ended June 30, 1923, would allow the company to make a very creditable showing for last year.

Hecla has a capitalization of $250,000 or 1,000,000 shares, par 25c. Last year the company paid $1.15 a share in dividends and has paid dividends in varying amounts since 1903. The record of dividends in recent years follows:

1915	.38
1916	1.55
1917	1.60
1918	.35
1919	.60
1920	.65
1921	.50
1922	.95
1923	1.15

Hecla is a lead and silver producer, and turned out approximately 42,500,000 lbs. of the former metal and 1,178,124 ounces of silver in 1922, the last year of full operations. Its earnings and dividends will fluctuate in accordance with the markets for its products. The 1922 balance sheet showed net assets applicable to the stock equivalent to $2.30 per share, which, of course, does not include the value of the lead-silver ore underground. Officers of the company state that Hecla has a long life ahead, adding that there is enough ore in sight to keep the company going for eight years even if no further ore is developed. The ore on the 2,000 level, which is the lowest worked to date, is said to be the best of any levels yet developed.

Appraisal of the Stock

With silver at 64c. an ounce and lead at 8c. a lb., Hecla can make good money. It will probably be the middle of summer before the new plant is in full and smooth operation, but meanwhile the company has its use and occupancy insurance to tide it over the resumption period. **On a dividend basis of $1 annually and selling at $9, Hecla Mining makes a current return of 11%. As a 10% return on a mining stock of this character is considered a fair yield, it would appear that Hecla Mining may be regarded as fairly attractive at prevailing levels.**

Of course, it should be understood that like other issues of its class, its character is of a speculative order.

ANSWERS TO INQUIRIES

Industrial Inquiries

HAS $12,000 TO INVEST IN STOCKS AND BONDS

A List Suggested that Gives a Return of 7½%

Having $12,000 available for investment at this time, I would appreciate a few suggestions from you on stocks and bonds that you consider attractive. I plan to place approximately one-third of my capital in bonds and the balance in stocks. My idea is to purchase securities likely to appreciate somewhat in value and that will give a return of between 7% and 8%.—S. N. T., Philadelphia, Pa.

The following list of bonds we believe offer a desirable investment opportunity at the present time and, in our opinion, they are also likely to appreciate somewhat in value:

	Price	Yield
International Mercantile Marine 6s, due 1941	80	8.1%
American Water Works & Elec. col. 5s, due 1934	84	7.2%
Manati Sugar 1st 7½s, due 1942	100	7½%
Sinclair Consol. 1st lien 7 col. 7s, due 1938	94	7.5%

These bonds, in our opinion, are a suitable media for investment of a third of your capital.

The following list of common stocks, in our opinion, would make a very well diversified list, and we consider them all to have good long-pull possibilities:

	Dividend	Price	Yield
Westinghouse Electric	$4	63	6.4%
American Steel Foundries	3	38	8.0%
Texas Co.	3	44	7.0%
Endicott-Johnson	5	66	7.6%
Moon Motors	3	26	11.5%
Southern Pacific	6	87	6.9%
American Ice	7	87	8.1%
Railway Steel Spring	8	110	7.3%
Standard Oil of Indiana	2½	66	3.8%

By distributing your present holdings among these issues, it is our opinion that you would have your funds invested to good advantage. The average yield of the above stocks and bonds is 7½%.

MARKET STREET RAILWAY

New Financing

Please let me know what effect the new bond issue of $13,000,000 of Market Street Railway may have on the prior preferred stock. What is the present funded debt and will fixed charges be very much increased?—A. S. L., Chicago, Ill.

The present funded debt of Market Street Railway is $9.5 million 5% bonds, due September 1, 1924, and $4.3 million 6% notes, due April 1, 1924. The new issue of $13 million bonds will refund both these issues and there will then be only outstanding, in the way of funded debt, this new issue of $13 million. There is $11.6 million 6% prior preference stock outstanding and it takes $697,000 per annum to pay the 6% dividend. This new issue of 7s will increase interest charges by $165,000, and in addition there is an annual sinking fund provided for $500,000. Thus an additional $665,000 will have to be deducted before earnings can be applied to the preferred dividend. Taking into consideration these increased charges, earnings for 1923 would leave a balance approximately equal to the dividend requirements on the prior preferred stock. Under the circumstances, this dividend on the prior preferred cannot be regarded as very well secured, but as earnings have been showing a steadily increasing tendency, we consider there is a fair chance of it being maintained. Another point to consider is that the sinking fund of $500,000 will steadily decrease the funded debt and make interest payments less each year.

UNION PACIFIC

Effect of Recapture Clause

Can you tell me what effect the recent decision of the Supreme Court holding the recapture clause constitutional may have on Union Pacific stockholders? Do you believe it will necessitate a reduction of the dividend? I am holding some of the stock for investment and want to know just what this decision may mean for the company.—A. S. B., Lynn, Mass.

The decision recently handed down by the Supreme Court, declaring constitutional the recapture clause of the Esch-Cummins Act does not effect Union Pacific to any extent. The recapture clause provides that earnings over 5¾% of the estimated property value of a railroad system shall be divided, half going to the government and half to the company.

Earnings of Union Pacific so far this year have been at the rate of about 13½% on the stock, but this is only equivalent to 5½% on the property value and the company, therefore, will not have to divide any of these earnings with the government. We consider the 10% dividend on Union Pacific reasonably well secured and consider the stock a good long-pull holding.

TOBACCO PRODUCTS

No Longer an Operating Company

Do you consider Tobacco Products common a good investment? I have some of the "A" stock for investment and am considering the purchase of the common.—A. H., Cleveland, O.

Tobacco Products Co. is now essentially a holding company as it has leased its brands and factories to American Tobacco Co. Its income is now received from returns of this lease and from dividends on United Cigar Store stock. Income from these two sources are now equal to slightly over the $6 rate being paid and as the company is no longer operating any business, we see no reason why practically all this income should not be paid out in dividends and the $6 rate maintained. There have been negotiations for the sale of United Cigar Stores to the Schulte interests, and should this be accomplished on favorable terms, Tobacco Products income may be still further increased. We consider the stock to have rather good prospects for further appreciation in value, but it is still rated more as a speculation than an investment. The class "A" stock,

however, is now in a very strong position and we consider this "A" stock entitled to a good investment rating and attractive at present prices.

STANDARD MILLING

Advise Holding Stock

Any new information you can give me in regard to Standard Milling would be appreciated. At present levels of 55, the stock shows me a loss. Should I hold or sell?—K. J. M., Flushing, N. Y.

Standard Milling, for the year ended August 31st, 1923, earned 6.05% on its stock on which 5% is now being paid. It is true that this is not a great margin over the dividend, but in this connection it is well to consider that the company is in very good financial condition with a working capital of around 7 millions. We understand that earnings for the year ended August 31, 1923, were somewhat lower due to fluctuations in the price of wheat that did not operate to the advantage of the company. It has recently increased its milling facilities and we believe that a better showing from now on can be anticipated. In our opinion, it is best for you to retain this stock.

CONTINENTAL MOTORS

Earned $1.15 a Share

A short time ago you suggested to me a switch from Middle States Oil to Continental Motors, then selling at six. I sold my Middle States stock but did not buy Continental Motors. What do you think of the latter now?—C. S., Albany, N. Y.

Continental Motors, for the year ended October 31, 1923, showed earnings equivalent to $1.15 a share on its stock. During this period the company went to considerable expense in bringing out new models. This expense will not be repeated in the current year, and the new models should increase the company's gross business. We feel that a better showing is to be anticipated. The company's financial condition is reasonably sound and in view of these facts we recommended the stock as a good speculation at 6. At present levels of around 7, we feel that it has good possibilities.

WORTHINGTON PUMP PREFERRED A

Decline Not Warranted

A few years ago I purchased for investment 25 shares of Worthington Pump preferred "A" stock at about 90. It has steadily declined and I fear I have made a bad investment. Had I better sell out at present price of 70 and take my loss and purchase a sounder stock?—O. S. F., Bridgeport, Conn.

It is our opinion that the decline in Worthington Pump A stock has been due more to a poor market in this issue which has always had a thin market, rather than to anything unfavorable in regard to the company itself. No earnings have been issued covering operations in 1923, but we are reliably informed that the preferred dividend will be earned with a fair margin to spare.

Moreover, Worthington Pump is in very strong financial condition and under these circumstances we see no reason why the preferred dividends cannot be maintained. We do not advise selling at the present time. If you feel you want to dispose of the stock, our advice is that you put your order in to sell it around 85, for we consider it quite probable that the stock will sell as high as that within a reasonably short period.

LIMA LOCOMOTIVE

Earned $20 a Share

Can you tell me what Lima Locomotive is earning and the present outlook for its business?—J. A. K., New Rochelle, N. Y.

Lima Locomotive earnings for 1923 are expected to show approximately $20 a share earned on the stock. Of course, 1923 was a period of unusual prosperity in the equipment industry and earnings cannot be expected to continue at so high a rate. Lima, however, has recently taken some good orders, and has sufficient business on

(Please turn to page 628)

Inquiries on Oil Securities

PHILLIPS PETROLEUM

New Stock Offered

When the oil situation started to look better I purchased 50 shares of Phillips Petroleum at about 25 and still hold it. Do you consider the recent offering of new stock a bearish development and is it advisable to take profits at this time?—H. E., Bath, Me.

In connection with the recent offering of 296,106 shares of stock to stockholders at $30 a share, President Frank Phillips, of the Phillips Petroleum Co., stated that net earnings in 1923, with December estimated, were 12.4 millions, after deducting fixed charges, including federal taxes and adjusting inventories to present market or below, but before depletion and depreciation. This new issue of stock increases the oustanding shares to 1,480,533. Earnings in 1923 were $8.40 a share on the increased stock before depletion and depreciation. Deducting 5 millions for depreciation and depletion, which is liberal, the balance is equal to about $5 a share. This is an excellent showing considering the unfavorable condition existing in the latter part of 1923. Phillips has nearly 6 million barrels of high grade oil in storage, and is in a favorable position to benefit from advancing prices for crude. We do not consider the issuance of this new stock an unfavorable development, for the new money received will place the company in strong financial condition and enable it to adopt a more liberal dividend policy when earnings increase. We advise you to retain your stock.

TWO GOOD STANDARD OILS

In Favorable Position

My oil stock holdings consist of Standard Oil of California and Standard Oil of New York. Do you consider these companies favorably? I have profits in both commitments and do not know whether I should hold on longer or not.—P. F. N., Dayton, O.

The outlook now is that there will be considerable improvement in the oil industry by Spring. The stronger organizations, among which are included Standard Oil of California and Standard Oil of New York, are in a favorable position, for they have been able to store largest quantities of crude oil at low prices and a better market will enable them to realize substantial profits on this storage. In our opinion both these stocks are attractive long-pull holdings and we advise retaining them.

PIERCE OIL

Position of Common

Please give me your report on Pierce Oil. I have some common stock. Should I hold it?—H. B., Passaic, N. J.

Pierce Oil earnings have made a very disappointing showing. For the six months ended June 30th, 1923, the company reported a deficit, after interest and depreciation, of 1.2 million. This compares with a deficit of 3.7 millions in 1922, and a deficit of 5.5 millions in 1921. Last balance sheet published as of December 31, 1922, shows the company's bank loans to be 1.5 million, and in view of the losses sustained since that date, bank loans are now probably very much higher. The company is in need of additional funds and it is questionable how successful it will be in raising them. Ahead of the common stock is 15 millions in preferred on which back dividends are accumulating. You can readily see, therefore, the common is in an unfavorable position and while at present prices it may have speculative possibilities, it is our opinion you could use your money to better advantage elsewhere.

SINCLAIR CONSOLIDATED

A Switch Suggested

I have 100 shares of Sinclair Consolidated with a five-point profit. Shall I hold on or switch to something else. Will Sinclair increase the dividend soon?—J. H., Hartford, Conn.

We regard Sinclair Consolidated capitalization as top heavy. We do not consider that a higher rate than $2 a share is likely for some time to come.

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In our opinion, International Combustion Engineering, paying $2 and selling around the same price, is a better proposition. This company manufactures fuel saving devices and appears to have a rapidly growing business. It earned about $3 a share in 1923 and the outlook is for considerably larger earnings this year. Phillips Petroleum, paying $2 and selling around 34, we also consider a good switch.

INDIAHOMA REFINING

An Uncertain Speculation

Recently I purchased 600 shares of Indiahoma Refining at about present price. Has the company a good chance to "come back" in your opinion?—H. G., Trenton, N. J.

Indiahoma Refining is a highly speculative security and we do not consider it a wise policy to hold such a large amount of the stock. It is true that the oil situation has improved and is likely to improve still further by spring, but in this connection, it is well to recollect that oil stocks have been through a very trying period and for some companies in weak financial shape, this improvement may come too late. Indiahoma is a comparatively weak company and we consider the outlook for the stock very uncertain. It may be able to pull through and the stock may go higher, but we feel that you are assuming a very great degree of risk and our advice is to dispose of the greater part of your stock. A good switch for part of it, in our opinion, would be Willys Overland common, selling around 12. This company will show over $5 a share earned on the common stock for 1923, and the outlook is good for 1924.

New Security Offerings

POTOMAC EDISON 6½s

Yield 6¾%

A bond house with whom I do some business from time to time has advised me to purchase Potomac Edison 1st and refunding 6½% bonds due 1948. The price is 97, yield 6¾%. The bonds look all right, but I am not very familiar with the company and would like to have your expert judgment.—C. T., Chicago, Ill.

In our opinion you are justified in making an investment in the Potomac Edison 1st and refunding 6½s Series B, due 1948. This company owns and operates an electric light and power system serving substantially all of western Maryland up to within 25 miles of Baltimore. Through subsidiaries it also serves the northeastern portion of West Virginia and the adjacent section of Pennsylvania. Population served is about 300,000. The reproduction cost of the properties as determined by independent engineers is about 80% in excess of the total funded debt. Additional bonds may be issued for refunding purposes or for 80% of the cost for permanent improvements. Earnings for the year ended November 30, 1923, were over twice interest charges. The entire common stock of the company is owned by the American Water Works & Electric Co.

GREAT WESTERN SUGAR

Common Stock Offering

Do you consider that the common stock of Great Western Sugar which is being offered at 96, has good prospects of appreciating in value, and, do you recommend its purchase at that price?—H. T., White Plains, N. Y.

For the seven years ended February 28, 1923, Great Western Sugar net earnings after depreciation averaged $12 a share on the common stock. Dividends paid on the common in this period have averaged $7.50 a share on the common, and the stock is now on an $8 dividend basis. Financial condition is strong, current assets as of December 31, 1923, being 34 millions, as against current liabilities of only 1.3 millions. This company is one of the lowest cost producers of beet sugar in this country, and has a capacity of 7 million bags per annum. While this stock is not unattractive at the offered price of 96, we consider Cuban American Sugar paying $3 a share and selling around 34, a better opportunity. Cuban American earned $7.45 a share on the common stock last year.

UNION ELECTRIC LIGHT & POWER

1st Mortgage 5½s

Would like to have your opinion as to the soundness of Union Electric Light & Power Co. of Illinois, 1st mortgage bonds now being offered for sale.—J. B., Chicago, Ill.

Union Electric Light & Power Co. of Illinois, 1st mortgage 5½s Series A are secured by a direct first mortgage on the entire fixed property of the company, consisting of a modern steam electric generating station located on the Mississippi River opposite St. Louis. The plant is designed for an ultimate capacity of 300,000 kilowatts, of which 60,000 are in operation and 65,000 under construction. The property securing these bonds will represent expenditures of 15 millions. The North American Co. owns all the common stock. The plant is leased to the Union Electric Light & Power Co. of Missouri for a period beyond the maturity of the bonds at a rental amounting to 2 1-5 times interest charges, after deducting taxes and depreciation. Earnings of the lessee for the past two years have averaged over 5 times average total interest charges. This bond is entitled to a high rating and at the offered price of 95¾, to yield 5.8%, makes a good investment of the conservative type.

VANDERBILT AVENUE BUILDING 6½s

Yield 6½%

I have been offered bonds of the Vanderbilt Avenue Building Corporation at 99, to yield 6½%. What do you think of them?—S. S., New York City.

Vanderbilt Avenue Building 2 million 1st mortgage 6½s due 1944 (closed issue), are secured by a first mortgage on leasehold property of New York Central Railroad extending along Vanderbilt Avenue from 42nd to 43rd Street. Value of this leasehold after contemplated improvements have been made has been appraised by four independent real estate authorities at not less than 3.5 million. Earnings are estimated at three times interest charges on this issue, allowing for possible vacancies. This property is well located and we consider the bonds a good investment opportunity.

ST. PAUL TEN-YEAR 6s

First Mortgage Bonds Security

Has the new issue of Chicago, Milwaukee & St. Paul 6% bonds sufficient security behind it to warrant making an investment? The yield of 6½% is attractive if there is no undue risk involved.—K. P., Boston, Mass.

Chicago, Milwaukee & St. Paul 14 million ten-year sixes are secured by a deposit with the Trustee of 20 million general (now first) mortgage 5s due 1989. Figured on the same interest basis as the company's general mortgage 4½s have been selling, the market which 1,041 miles are double track. For about 17.5 millions. The general mortgage bonds pledged are at first mortgage at $22,843 per mile on about 6,167 miles of railroad including all the principal lines of the company between Chicago and the Missouri River, of which 1,041 miles are double track. For the year 1923, partly estimated, earnings available for interest on the general mortgage bonds amounted to 17.1 millions as against interest requirements on the general mortgage bonds, including all pledged bonds, of 6 millions. The General Mortgage is limited to 150 millions, and all but 9 million have been issued. There is ample security behind this issue in our opinion, and at the offered price of 96¼, to yield 6½%, we consider them attractive.

SPECIAL REPORT DEPARTMENT

WE have had so many requests for special reports on lists of securities and for complete analytical reports on individual stocks and bonds that we have organized a Special Report Department to handle this work. Charges will vary with the amount of research work necessary but in all cases estimates will be sumbitted. A complete report on any stock or bond listed on the New York Stock Exchange will be supplied for $25. In analyzing lists of securities definite recommendations are made and desirable switches suggested. This new service does not in any way interfere with the present free service supplied by the Inquiry Department to subscribers which entitles them to a brief report on any three securities.

·SERVICE · SECTION·
·OF·
· THE MAGAZINE OF WALL STREET·

IN THE BANKING WORLD

Conducted by
H. Parker Willis

Discussions of Current Problems and Reviews of Recent Events Conducted in the Interest and for the Use of the Banker Readers of THE MAGAZINE OF WALL STREET

Mr Willis Was Formerly Secretary of the Federal Reserve Board Later as Director of the Bureau of Analysis & Research. He Developed the Board's Present National System of Financial Reporting

How to Analyze Banking Costs

Some Interesting Findings—Are Check-Accounts Profitable?

GENERAL and increasing interest is being felt in the cost of bank operation and in the possibility of standardizing expenses and outlays for different types of banks in different places. A number of institutions are now actively at work upon cost accounting systems designed to show the value of different sizes of balance and of different degrees of activity of accounts. It is understood also that very careful investigations are being made in the Federal Reserve System for the purpose of ascertaining costs of operations in member banks.

In line with this drift of inquiry, some valuable results have been published by the Federal Reserve Board and by the Comptroller of the Currency, while a number of the larger institutions of the country have lately been able to make public a part, at least, of their findings with regard to bank costs.

Earnings in Federal Reserve System

The earnings and expenses of all banks which are members of The Federal Reserve System (and which comprise probably about 80% of the commercial assets of the country) have been compiled and made public since the new year, by the Federal Reserve Board, the figures, however, relating to the fiscal year ended June 30th, 1923. These results show a gross earning of $1,683,512,000, and total expenses of $1,189,732,000. This left net earnings for the year of $493,780,000.

Taking the aggregate deposits of the reporting banks in the Federal Reserve System as amoumting to $15,300,000,000, or about $38,300,000,000 for the entire system, it would appear that the expenses for the year were about $31 per thousand of deposits, including both commercial and savings deposits, while confining the figures to individual deposits the expense would be about ⅓ more.

In the table No. I, herewith, the figures for earnings and expenses furnished by the Federal Reserve Board are reproduced as totals.

The Comptroller of the Currency has also furnished in his report, just issued, an elaborate compilation of gross earnings and expenses of national banks by states, from which it is possible to figure the varying ratios of expense in different parts of the conutry. Table II shows the results which may be computed for representative states from the figures furnished by the Comptroller of the Currency, and which illustrate the great variation that is now shown in bank expenses in different parts of the country.

According to the general showing made by this investigation the average annual income earned on each $1,000 of deposits for 1923 was $18 or about $3 less than in 1922. Although the return thus secured was lower in 1923 than for the year before, the gradual growth in deposit accounts has more than offset such shrinkage and income, so that total returns are better than they were in the former year notwithstanding an average decline.

The significant aspect of

TABLE I

HOW EARNINGS AND EXPENSES OF ALL MEMBER BANKS COMPARE

Showing Totals in Millions of Dollars for 9,852 Banks*

	Total U. S. Banks
Capital Stock Paid In*	**$1,998**
Surplus Fund*	**1,632**
Total	**$3,630**
GROSS EARNINGS:	
Interest & Discount	**$1,444**
Exchange & Collection Charges	**32**
Commission	**16**
Other Earnings	**192**
TOTAL GROSS EARNINGS	**$1,684**
EXPENSES:	
Salaries & Wages	**$324**
Interest & Discount on Borrowed Money	**36**
Interest on Deposits	**531**
Taxes	**100**
Other Expenses	**198**
TOTAL EXPENSES	**$1,190**
Net Earnings During the Year	**$494**
Recoveries on Charged-Off Assets	**69**
TOTAL NET EARNINGS & RECOVERIES	**$563**
Losses Charged Off:	
On Loans & Discounts	**$160**
On Bonds, Securities, etc.	**30**
Other Losses	**27**
TOTAL LOSSES CHARGED OFF	**$217**
Net Addition to Profits	**$345**
Dividends Declared	**271**
Ratio of Dividends Declared:	
To Capital Stock	**13.6%**
To Capital & Surplus	**7.5%**
Ratio of Net Profits:	
To Capital & Surplus	**9.5%**

*** As of June 30, 1923.**

TABLE II
HOW BANK EXPENSES VARY IN DIFFERENT STATES

A Comparison of Profits and Costs of National Banks by Groups

	Gross Profits (In Millions of $)	Net Profits (In Millions of $)	Annual Cost (Per $1000 of Deposits)	Net Profit (Per $1000 of Deposits)
New York	**$218**	**$77**	**$39**	**$21**
Pennsylvania	**126**	**45**	**40**	**21**
Illinois	**68**	**19**	**37**	**16**
Massachusetts	**49**	**13**	**38**	**14**
California	**49**	**15**	**41**	**18**
Ohio	**46**	**13**	**47**	**18**
Texas	**44**	**13**	**49**	**20**
Minnesota	**31**	**5**	**51**	**10**
Missouri	**26**	**6**	**44**	**15**
Virginia	**19**	**6**	**46**	**20**
Kansas	**13**	**3**	**51**	**16**
Florida	**8**	**2**	**51**	**20**
United States	**$1,049**	**$313**	**$43**	**$18**

the present situation is not found so much in the different rates of return obtained in different parts of the country, as it is in the different average balances carried and the different activities of accounts in various groups of banks. According to an investigation of this latter subject just completed by one of the larger New York institutions, the most available method of finding banking cost is furnished by dividing the cost of operations into three sections as follows:

1. *The cost of keeping the account exclusive of activity.*
2. *The cost of activity in an account.*
3. *The overhead cost.*

Of this subdivision,, the investigation in question remarks that "the first item is based on the expense of maintaining the account and includes figuring interest, sending out statements, etc., working on the assumption that the account is inactive." "Overhead," of course, varies greatly, but is within the power of each institution to control.

It is is the second item—that of activity, which is outside of the bank's power to direct, and which is, therefore, the most interesting subject of study from the cost standpoint.

Expense of Checking Accounts

The expense of conducting checking accounts is one which has been subjected to more and more extensive analysis in recent years, and during 1923 many progressive banks made efforts to find out what the actual cost and profit derived from different classes of banking accounts, may be regarded as having been.

One such investigation which has been carried through by a large concern seems to show that the profit to be realized is not controlled so directly by the amount of the balance carried as it is by the actual number of checks drawn and the cost entailed in handling them. The showing made by this company as a result of its investigations was about as presented in Table III (assuming an allowance of 1% interest on balances).

The table just referred to (Table III) is made up from the experience of a large city institution, and, of course, would not be strictly applicable to any given bank, but is less applicable to the small banks because of the difference in their operating problems. Nevertheless the relationship between the different types of accounts, the relative differences in profit from accounts of different sizes, and the relationship of activity to balance is the same, due allowance being made for size, in one institution as it is in another.

The investigations which have just been reviewed are very interesting, therefore, as throwing light upon the general problem of banking costs in relation to banking business, and in showing on what basis unprofitable accounts might be eliminated.

Too Little Attention to Cost Accounting

It is undoubtedly true that American banks have devoted too little attention to cost accounting, and that a great many of them have a large number of unprofitable accounts which they are carrying either at a loss or without any advantage to themselves. On the other hand, the practice of some banks of fixing a flat minimum balance, below which they will not allow the account to go, regardless of whether it is active or not, cuts many banks off from opportunities of profit that they might otherwise take advantage of.

No such policy is desirable; but, on the contrary, as has been shown by the Guaranty Trust Company in discussion of the subject, it is the better plan to "adopt a sliding scale of interest allowed on deposits based on the average loaning rate for money, cost of operation, activity of account, etc.," and at the same time (although that particular institution does not say so) to abolish the flat minimum requirement which is supposedly necessary to carry overhead.

Many country banks do not make any such flat minimum requirements but trust to their own success in encouraging depositors to keep enough of a balance to make the account worth their while. This is not likely to be a very effective way of handling things, and better results are obtained by ascertaining the approximate worth and cost of each account after somewhat the fashion just outlined.

The fact that banks are not doing so is the basic reason why costs of operation and profits vary so widely in different parts of the country.

TABLE III
WHEN ARE CHECKING ACCOUNTS PROFITABLE?

Showing the Findings of One Large Institution

This tabulation represents the findings of a large institution.

By reading down the Average Balance column to the cross-line showing Number of Items per Annum, the rate of profit on checking accounts may be ascertained (assuming a 1% interest on balances).

Items per Annum	AVERAGE BALANCES $500	$1,000	$2,000	$3,000	$4,000	$5,000	$7,500	$10,000	$12,500	$15,000
25	2.14	2.40	2.53	2.57	2.59	2.60	2.62	2.63	2.64	2.64
50	2.05	2.35	2.50	2.55	2.58	2.59	2.61	2.62	2.63	2.64
75	1.95	2.30	2.48	2.53	2.57	2.58	2.60	2.62	2.63	2.63
100	1.85	2.25	2.45	2.52	2.55	2.57	2.60	2.61	2.62	2.63
200	1.45	2.05	2.35	2.45	2.50	2.53	2.57	2.60	2.60	2.61
300	1.05	1.85	2.25	2.39	2.45	2.49	2.55	2.58	2.59	2.60
400	.65	1.65	2.15	2.32	2.40	2.45	2.52	2.56	2.57	2.59
500	.25	1.45	2.05	2.25	2.35	2.41	2.50	2.54	2.56	2.57
600	[.14]	1.25	1.95	2.19	2.30	2.37	2.47	2.52	2.54	2.56
700		1.05	1.85	2.12	2.25	2.33	2.44	2.50	2.53	2.54
800		.85	1.75	2.05	2.20	2.29	2.41	2.48	2.51	2.53
900		.65	1.65	1.99	2.15	2.25	2.39	2.46	2.49	2.52
1,000		.45	1.55	1.92	2.10	2.21	2.36	2.44	2.48	2.51
1,250		[.05]	1.30	1.75	1.98	2.11	2.29	2.39	2.44	2.47
1,500			1.05	1.59	1.85	2.01	2.23	2.34	2.39	2.44
2,000			.55	1.25	1.60	1.81	2.09	2.24	2.32	2.37
2,500			.05	.92	1.35	1.61	1.96	2.14	2.24	2.30
5,000			[2.34]	[.71]	.10	.61	1.29	1.64	1.84	1.97
7,500					[1.14]	[.38]	.63	1.14	1.44	1.64
10,000							[.03]	.64	1.04	1.30
12,500								.14	.64	.97
15,000								[.36]	.24	.64
17,500									[.16]	.30
20,000										[.03]

NOTE: Figures in brackets [ ] show losses.

As stated in the text, these findings tend to show that the profit to be realized is more directly controlled by the actual number of checks drawn and the cost entailed in handling them than by the amount of balance carried.

How Will Cooperative Marketing Affect the Cotton-Mill Owner?

Lessons Drawn from the Past Season—What Cooperative Marketing Cannot Accomplish

WHILE cooperative marketing is generally regarded as successful from the standpoint of the producer of cotton, the question how it will affect the cotton-mill owner is one that has been given an increasing amount of study during the past autumn and early winter.

As is well known, the cotton-mill owner has in recent years been inclined to do a good deal of hedging and operating in futures in order to protect himself against fluctuations in cotton, as well as to insure himself the necessary supply of raw material. To what extent he will be affected by the new method of cooperative marketing, and in what degree the plan will add to or take from his operating difficulties, is still to be ascertained.

It is only of late that the experience with cooperative methods of selling has lasted long enough, or has gone far enough, to permit the establishment of a definite notion on the subject.

"Orderly Marketing"

The Federal Reserve Board and the Reserve banks have, for a long time past, urged "orderly marketing," by which they have meant gradual disposal of cotton over a series of months or weeks after the harvest season has ended. The effect of cooperative marketing undoubtedly is to assist in this process of gradual sale.

Most of the recent acceptance agreements, designed for the promotion of cooperative marketing plans, have called for the sale of a specified percentage of the cotton which formed the security behind the acceptances each month during the life of the loan in order to provide the funds designed to meet the paper at maturity. As a matter of fact, the plan thus pursued, if made sufficiently general, would result in placing the crop on the market over a longer period than has usually been true, and the effect would undoubtedly be that of changing the location of cotton finance and of shifting it in that way from the New England milling regions to the Southern producing sections or to the city banks with which the cooperatives are affiliated.

For a long time past, there has been an endeavor to bring this about by means of the use of the bankers' acceptance, and during the war the Federal Reserve System endeavored to introduce an acceptance method of financing cotton, whereby Southern shippers and banks would be content with the time obligation of a Northern bank acting for the cotton mill owner. No success whatever was attained in this way, because the Southern shipper always wanted the cash or its equivalent, and did not want to go to the trouble of arranging to market the Northern bank's acceptance. The cooperative marketing plan, in a large measure, brings about the change which had been desired on this score, transferring the responsibility for the carrying of the crop to the cooperative association which gets its funds on the new acceptance plan. This means that, ordinarily, the Northern buyer will not be called upon to finance nearly as much cotton in warehouse as formerly. To that extent, he will be relieved of a very considerable load of financing.

The question, of course, will remain, whether he will make up for what he gains in this way by losses, relatively speaking, due to the fact that he has to pay a higher price to the grower of cotton.

Fluctuations in Price

The confessed purpose of the cooperative associations is to get a higher price for their cotton, and the claim made by their representatives during the American Bankers Association discussion last autumn was that their operations had resulted in advancing cotton prices by about $20 per bale. If this were so, it would mean that the grower had obtained 4 cents a pound more than he otherwise would, and this would mean that the manufacturer would have to pay that amount more unless there was a corresponding saving in middlemen's charges intermediate between him and the grower.

The experience of the past season was rather interesting in its bearing upon this phase of the situation. As is well known, the advance in the price of cotton, due to the shortness of the crop, has been very remarkable, the movement of prices being indicated by the accompanying diagram which illustrates a fluctuation of something like 50% between extremes. The cotton-milling consumer who did not buy his spot cotton early in the season, because he did not care to pay the advanced price which (as he thought) was being exacted by cooperative holders, was of course reckoning without his host, and the result of his postponement was simply to leave him, later on, under the necessity of buying cotton at increased figures. This, however, was a condition that resulted from very unfavorable weather and from the unexpected extent of boll-weevil damage. If a normal crop had been realized, extreme fluctuations of this type would have been avoided, and then the question would have been how far the effect of the cooperative financing as such would have been to exact a higher price from the miller.

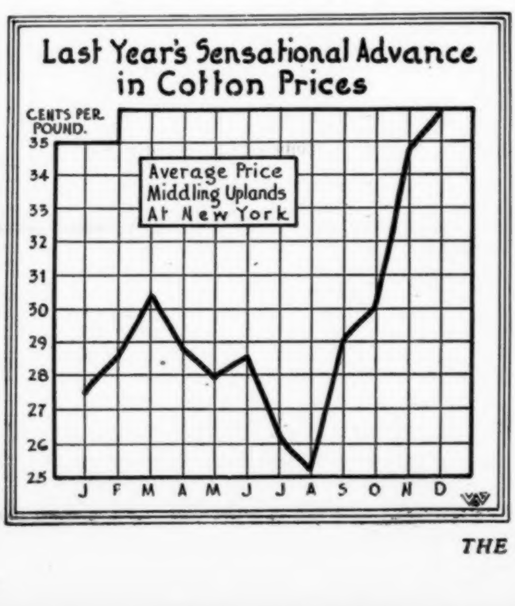
The conclusion may fairly be reached that cooperative financing has had the effect one way or the other in influencing fluctuations, these having been of a broad character and evidently based upon calculations of demand, and upon figures which covered the entire supply in sight, resulting in a checking up of the two figures and the corresponding advance in values.

Ultimate Effect of Financing

The cotton consumer has been taught by the experience of the past autumn that his practice of hedging in order to protect himself against changes of price is one that he will have to adhere to, regardless of the method of warehousing or financing the actual spot crop. Only in that way will he be able to avoid the risk of great changes in the value of raw material and to take advantage of favorable conditions of purchase which he otherwise might have to neglect or disregard. **There is nothing, therefore, in the new method of financing that in any way relieves him of the effect of fluctuations in value resulting from changes in productive conditions.**

It does seem, however, that there will unquestionably be a strong tendency toward the reduction or elimination of middlemen's profits and the delivery of cotton direct from the cooperative association to the mill, provided the association is able to deliver

(Please turn to page 647)



Have the English Banks the Best Solution of the "Employes' Bonus"?

How Their Plan Compares With That Practiced Here — Yearly Bonus or Retirement Pension — Which?

WITH the closing of another banking year, the question how far bonus payments as a means of providing salary advances for employes is a desirable method of compensating banking staffs, is again being rather sharply discussed among practical operating bankers. The bonus is no longer regarded as the almost indispensable feature of bank remuneration that it was just after the war, but it has succeeded in gaining a foothold and maintaining itself in a good many banks, some of them very conservative, notwithstanding that others have abolished the whole system.

Some lessons have been pretty definitely taught by experience; certain of them being favorable to the bonus idea, and certain opposed to it.

Among the notions that are beneficial or favorable to the plan is, as an outstanding factor, the influence of the scheme in keeping employes steadily employed and in holding them. Of the many bonus methods that were used during and after the war, practically none, so far as can be learned, provided for the payment of the bonus unless the employe had remained with the institution steadily throughout the year and up to the time that payment was declared. In this view of the case, the bonus was really a premium upon steadiness of work and seniority of service, and in that capacity it was probably beneficial and conducive to good results on the part of the employes.

As against this argument, was the fact that if the bonus was to be paid without any question on condition of the employe's remaining in the service, he might as well be advised of it in advance at time of engagement, as is the practice in some of the English banks, so that he could figure definitely upon getting it instead of keeping him in suspense.

The actual plan pursued, however, has practically never conformed to this English system but has been entirely dependent upon the attitude of the directors at the close of the year. The employe, in other words, was made more or less dependent upon the success or prosperity of the bank during the year, his bonus being only a contingent payment which he might or might not receive.

Temptation to Extravagance

It is this uncertainty of the bonus payment that has been most generally regarded as an injurious factor. The lower-paid employes in the bank who feel the obligation to save something, are found, by actual experience and observation, to fall easily into the habit of regarding their bonus as a lump sum, most of which they can save so that they are disposed to refuse to attempt any saving in the course of the year, permitting themselves instead to look forward to the bonus payment as a means of building up their savings accounts. When they fail to get the bonus, they are thus "out" on their savings situation for the year.

This might not be so unfortunate, if it were not that they entered the New Year with the belief that the bonus would certainly be paid at the end of the twelve months to come, failure at the close of the preceding December being regarded as something sporadic and incidental, perhaps to be made up by a larger bonus at the end of a more prosperous year.

Both uncertainty as to the size and rate of the bonus to be paid, and doubt as to whether it will be liquidated at all, are thus injurious factors in the situation as it stands.

IS THIS THE BETTER WAY?

"The bonus system, as the English banks employ it, consists of a cumulative fund which is not paid until the termination of the employe's service with the bank and, in most cases, is not paid at all if he goes into the employment of another bank. It is a sort of retiring allowance which grows larger, proportionately, as the man's length of service increases, with the result that, after a stated term of service in the employ of the bank, the employe is eligible for retirement and is then permitted to draw his bonus either in a lump sum or (according to a slightly different system) as an annuity."

Reason for Use of Bonus

The fact that, in spite of these objectionable phases of the system, some conservative banks have continued to retain a bonus method of compensating employes, is apparently due to the fact that in a good many instances it appears to be distinctly more economical than the raising of salaries. Actual experiment has shown that the possibility of receiving a large bonus as the result of a very profitable year has a strong effect upon the minds of employes, especially of those who are expecting to come in for a substantial share of it, and that they are influenced in the mass considerably more effectually than they would be by a much larger sum spent in actually advancing salaries.

At the present time, the salary problem in the bank is becoming an exceptionally difficult and pressing one, because of the generally high level of costs and the low level of return which is being realized by the majority of banks today, with commercial paper and customers loans on their present footing. It may be expected, therefore, that a bonus plan of some kind will be maintained in a good many banks. The consensus of opinion, however, is favorable to the view that it is most satisfactory in those banks which have a large number of rather low-paid employes (as is the case with most of the larger city institutions), and that it does not work well with the country banks, except of course as a direct means of granting a pure gratuity and without any relationship whatever to regular rates of pay.

Bank Employment Problem

The bank employment problem which was so serious three years ago, has now largely faded away, and the supply of those who are looking for employment is now larger than the demand for them. Only the very high level of cost of living has operated to prevent bank wages from falling back to where they were in the pre-war period, and in some cases of low-grade workers of clerical and routine variety, the recession in rates of pay has been very severe as a question of living return. This tends to some extent to limit the rising cost of bank operation, but, as already said, has had only a partial and limited kind of success thus far.

The bonus type of payment probably has a legitimate field in making up to the employe changes in cost of living which were not contemplated when his salary was originally fixed, and is thus somewhat of a relief to the lower paid employe who has very small margin of purchasing power over and above his living costs in any case. Beyond this comparatively narrow field its use is rather generally regarded as an unwise method in personnel management.

Nevertheless, a very substantial number of New York institutions paid a

(Please turn to page 637)

The Banking Situation

Low Money Rates in Prospect—Outlook for Cheap Financing

FEDERAL RESERVE BANKS

(In millions of dollars)

Date	Cash reserves	Bills discounted, total	Government securities	Total deposits	Federal reserve notes in actual circulation	Reserve ratio
Oct. 31	3,191.1	883.8	91.8	1,958.7	2,224.9	76.3
Nov. 7	3,195.2	817.4	90.3	1,909.4	2,265.6	76.5
Nov. 14	3,209.4	791.1	90.3	1,982.4	2,263.0	75.6
Nov. 21	3,212.9	746.2	73.4	1,941.5	2,223.1	77.1
Nov. 28	3,197.3	794.4	84.5	1,938.6	2,246.3	76.4
Dec. 5	3,197.7	746.3	91.3	1,935.5	2,252.6	76.4
Dec. 12	3,193.6	761.9	96.3	1,971.7	2,266.8	75.3
Dec. 19	3,163.4	750.2	81.2	1,882.9	2,296.4	75.7
Dec. 26	3,137.5	857.2	104.2	1,937.9	2,340.4	73.3
Jan. 2	3,171.9	797.9	126.6	2,050.8	2,245.2	73.8

REPORTING MEMBER BANKS

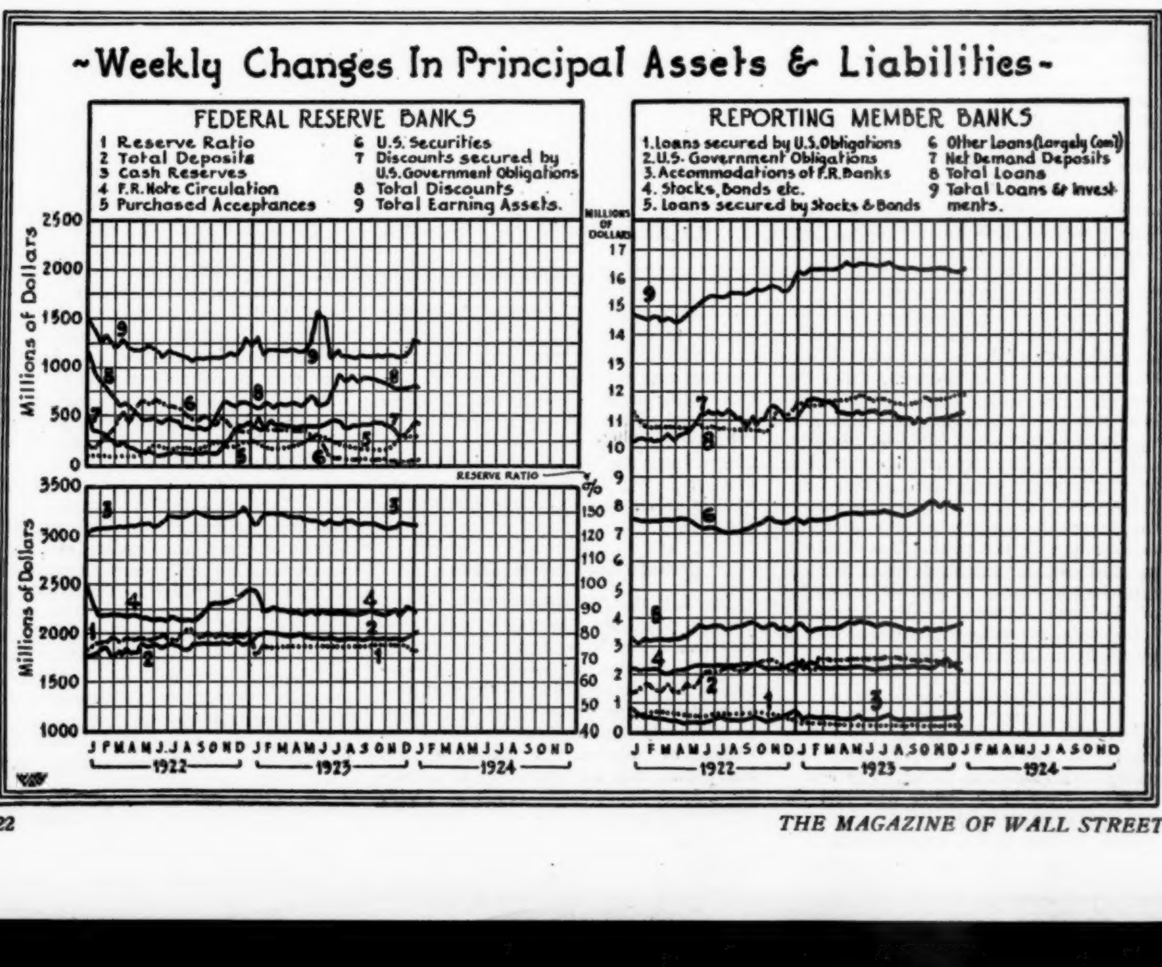
(In millions of dollars)

Date	Number of reporting banks	Loans and discounts	Investments	Rediscounts and bills payable with Federal reserve banks	Net demand deposits
Oct. 31	769	11,940	4,530	593	11,158
Nov. 7	767	11,921	4,497	539	11,130
Nov. 14	767	11,930	4,490	504	11,276
Nov. 21	767	11,899	4,476	467	11,158
Nov. 28	767	11,904	4,464	508	11,101
Dec. 5	767	11,927	4,457	474	11,106
Dec. 12	766	11,918	4,472	489	11,252
Dec. 19	764	11,956	4,532	470	11,103
Dec. 26	764	11,934	4,555	519	11,034

EVER since the opening of the year there has been a pronounced downward movement in the activity of Federal Reserve banks and in the quantity of bills and discounts held by them. This has been accompanied by great increase in gold, and by corresponding advance in the ratio of reserve. At the same time, the amount of accommodation extended to member banks directly through rediscounting has tended to fall off, and at some of the Eastern reserve banks has reached a record low level considerably below anything touched in recent months. Taken all in all, the System shows the effect of the very decided reaction of credit which has been operative throughout the country and which is now reflected in the figures of the Reserve System itself.

Member Bank Figures Off

Much the same tendency is noted in the returns of many member banks which have been finding the strength of demand from their customers less and less as time



has gone on, the ultimate result being to reduce the amount of accommodation which they felt obliged to obtain from reserve banks, while at the same time they have also been able to use in the purchase of bonds and notes the funds which they were holding unoccupied. In these circumstances, a declining rate for commercial paper has been unavoidable, and has resulted in shifting bank demand from that field into investment paper. Taken all in all, therefore, the tendency of the commercial banks all over the country has been to go more heavily into the investment market, while at the same time releasing their funds in part from commercial paper, and reducing the activity of direct operations with customers.

Declining Rates for Money

As money rates have declined, it has become more difficult to put funds at work in a profitable way, while on the other hand stock market and investment interests have found themselves better and better equipped with cheap money for speculation and for carrying securities. There is now a movement within the Federal Reserve System which looks toward the reduction of the rate of discount, and which contemplates making reserve funds available more economically to borrowers. This effort may or may not succeed in bringing about a lower rate, but, whether it does or not, the large accumulations of cash and the reduction of paper holdings in the reserve banks tend to produce the same outcome, without the necessity of going through a change in rediscounting. Furthermore, the reduction of current rates has gone so far that charges in the open market are below anything that the Reserve System is likely to regard with favor as an actual rate of return for rediscounting. In other words, the reserve banks are more than ever isolated from the commercial market.

Cheap Money and Financing

These conditions create a favorable situation for new financing which is more attractive than any that has developed itself within recent years, and is being availed of by a good many concerns to refinance themselves on a more economical footing. One result of this state of things is that they are able to reduce their commercial borrowings at the banks, and to put their working capital obligations into funded form. As long as present low money rates prevail, this condition may be expected to continue. One factor which helps very greatly is the artificial buying movement that has set in from abroad as time has gone by, due to the uncertainties of investors in other countries, and to their desire to put their funds where they will earn a stable return stated in a responsible currency like the dollar. All this, moreover, makes a situation in which American enterprise is able to get access not only to cheap commercial funds but also to unusually cheap capital.

The consequence is practically certain to be, within coming weeks, the financing of many new enterprises and the successful refinancing of others, with the result that their bank obligations are brought into more manageable condition. Low rates for money appear to be likely to be in effect for some time to come, and there is nothing now in sight that would appear likely to raise them in any direct way. The inflow of gold from abroad continues, and there has been a tendency to use it for the purpose of paying off obligations instead of for purposes of inflation. Many have anticipated a sharp advance in commodity prices as a result of this great accumulation of metal, but thus far there has been no support for such predictions; nor is there anything in sight that would at present seem to afford a warrant for them.

BANKING INDICATORS

Discount Rate at Federal Reserve Banks 4½%

Commercial Paper in New York Market December 1....4¾ @ 5

Reserve Percentage Fed. Reserve System January 23....80.4

Reserve Notes Outstanding January 23 ....$2,049,834,000

Bank Rediscounts (with F. R. Banks) January 16....$284,200,000

Sterling Exchange Index Federal Reserve Board end of December....89.84

Net Gold Imports, Dec....$31,929,471

Commercial Paper Rate London (bankers three months bills) Jan. 25....3⅜-3⅞

Wholesale Price Index (London Economist) Nov. 3 (for end Dec.)....208.2

Reserve Percentage Bank of England, January 23....17.90

Municipal Bonds

Suitable for Bank Investments

HIGHER GRADE MUNICIPALS

		Date Interest	Maturity	Approximate Yield
N	State of Oregon	4½	1935-37	4.40
N	Toledo, Ohio, Sewer	5	Nov. 1942-46	4.45
N	South Bend, Ind.	4¾	Nov. 1943	4.35
N	Lansing, Mich.	4½	1946-50	4.37
N	Illinois	4¾	Aug. 1931	4.45
	Galveston, Texas	5	1928-61	5.00
N	North Dakota	5¾	July 1933	4.90
N	Long Beach, N. Y.	6	July 1931-42	4.60
N	North Carolina	5	July 1961	4.55
N	North Carolina	5	Feb. 15, 1947	4.65
N	North Dakota, Real Estate	5	Jan. 1944 & 49	4.85
N	Iowa	4¼	Dec. 1928	4.40
	Seattle, Schl. Dist.	6	1939	4.75
N	Cincinnati	5	Feb. 1938	4.40
N	San Francisco	5	July 1937	4.60
N	California	4	July 1942-47	4.30
	Kansas City, Kans.	4¾	Nov. 1942	4.60
	Omaha, Neb.	4½	March 1943	4.50
N	Oregon	4½	Oct. 1946	4.40
N	Oregon	4½	Oct. 1944	4.40
N	Idaho	4	May 1931	4.40
N	South Dakota	6	Sept. 1941	4.85
	Portsmouth, Va.	5	Jan. 1954	4.90
	Akron, Ohio	5½	April 1933 & 36	4.75
N	Spokane, Wash.	4½	Oct. 1931	4.60
N	Illinois	4	1937-39	4.35
	Kansas City, Kans.	4½	July 1939	4.50
	Omaha, Nebr.	5½	May 1941	4.65
	Cleveland, Ohio, Schl. Dist.	6	Sept. 1937	4.62
	Richmond, Va.	6	July 1930	4.70
N	Minnesota	4½	July 15, 1943	4.35
N	New Mexico	5	Jan. 1952/32	4.50
N	Mississippi	4½	Aug. 1932-33	4.50
N	Dayton, Ohio	5	Dec. 1927	4.50
N	San Francisco	4½	July 1931-63	4.50
	Chattanooga, Tenn.	5	May 1940	4.65
N	Detroit, Mich.	5¼	Jan. 1950	4.60
	Montreal	5	Sept. 1958 & 63	5.20
	Winnipeg	5	June 1943	5.20
N	Illinois	4¼	Aug. 1937-42	4.40
N	Illinois	4¼	Aug. 1928-36	4.45
	Bridgeport, Conn.	4½	Jan. 1936	4.40
N	North Dakota	5¾	July 1928-29	5.00
N	Toledo, Ohio	5	Oct. 1949	4.50
N	North Carolina	4½	Oct. 1963	4.50
N	North Carolina	4¼	Oct. 1963	4.55
N	West Virginia	4½	April 1948	4.40
N	Wheeling, W. Va.	5	July 1934-48	4.45
N	Lansing, Mich.	4½	Jan. 1940-44	4.40
N	Baltimore, Md. ....R·g	4	March 1961	96
N	Detroit, Mich. ....Reg	4	Aug. 15, 1924	4.30
N	Minneapolis, Minn.	5	Oct. 1927	4.50
N	Philadelphia	5¼	Oct. 1971/41	4.20
N	Flint, Mich.	4½	Jan. 15, 1949	4.45
N	Toledo, Ohio	5¼	Nov. 1933-37	4.60
N	Dallas, Texas	4½	May 1937-62	4.55-4.50
	Hamilton County, Ohio	4¾	Oct. 1929	4.60

N—Legal for Savings Banks in New York State.

Fourth Installment — *How to Determine Net Losses*

Income Tax Department

Conducted by M. L. SEIDMAN, C. P. A.

AS previously announced, this article will review two most important administrative provisions of the Income Tax Law that taxpayers should be acquainted with to properly protect their interests.

The first is in connection with the procedure involved where the Government proposes to assess additional taxes on returns for previous years, and the second relates to the limitation date that soon arrives, beyond which refunds for 1918 taxes may not be claimed.

Procedure for Contesting Additional Assessments

As for the first item, namely, that of the procedure in connection with contesting additional assessments, the importance of becoming acquainted with this phase of the administration of the Income Tax Law cannot be overemphasized, especially in the light of the intensive campaign that the Government has been making to audit the returns filed. Many a taxpayer has been made to pay additional assessments, where payment could have been avoided if the proper steps were followed or if action were taken in time.

Additional assessments may arise from two sources; first, as a result of what is known as a "field audit," that is, where the Government agent checks up the returns from the taxpayer's books and records, and the other through the so-called "desk audit," where the returns are reviewed in the office of the Treasury Department. The only difference between both these audits is that in the former the examining agent makes a report, a copy of which goes to the taxpayer, whereas in the desk audit there is usually correspondence passing between the Government and the Taxpayer, as a result of which the additional assessment is proposed.

Let us trace the procedure where there is a field audit. When the Government agent completes his investigation, a copy of his report is sent to the taxpayer. The agent's report is not an assessment, but merely the recommendation of an assessment. The taxpayer has twenty days in which to protest against the agent's recommendations to the Revenue Agent in charge of the taxpayer's district. This can be done either through written memorandum or oral conference.

If the taxpayer exercises this right, the Revenue Agent in Charge prepares any additional comments he may deem proper, in the light of the taxpayer's protest, and submits all papers to Washington, where the ultimate decision is made. If the taxpayer does not exercise this right, the Revenue Agent in Charge, at the end of the twenty-day period, forwards just the examining agent's papers.

At Washington, the revenue agent's report is either approved or modified and a letter to that effect is sent the taxpayer. This letter is what is known as the A2 letter. It informs the taxpayer, among other things, that if he desires to contest the assessment, he has thirty days within which to file a formal appeal, and thirty days from the time for filing this formal appeal to file a detailed brief or memorandum outlining *all* the facts and law upon which he bases his claims. The taxpayer also has the right to have his case considered in oral conference, but then it is necessary that conference be held within sixty days from the date of A2 letter, and that the detailed brief be in the hands of the Department at least five days before the conference.

If the taxpayer's protest is not favorably acted upon, the taxpayer has the right to appeal from the decision of the Income Tax Department to a body known as the Committee on Appeals and Review, which represents the Comissioner of Internal Revenue. Ordinarily, this is about as far as the taxpayer can go, and, if he is still dissatisfied he must pay the tax and sue for its refund.

That is in general the administrative procedure involved in connection with additional assessments. With the millions of returns that the Government has before it, it is but natural that strict compliance with every detail of the law should be demanded. For this reason, too, the Government insists upon having *all* the facts on which the taxpayer relies, placed before it at one time. The proper presentation of these facts usually "makes or breaks" the taxpayer's case.

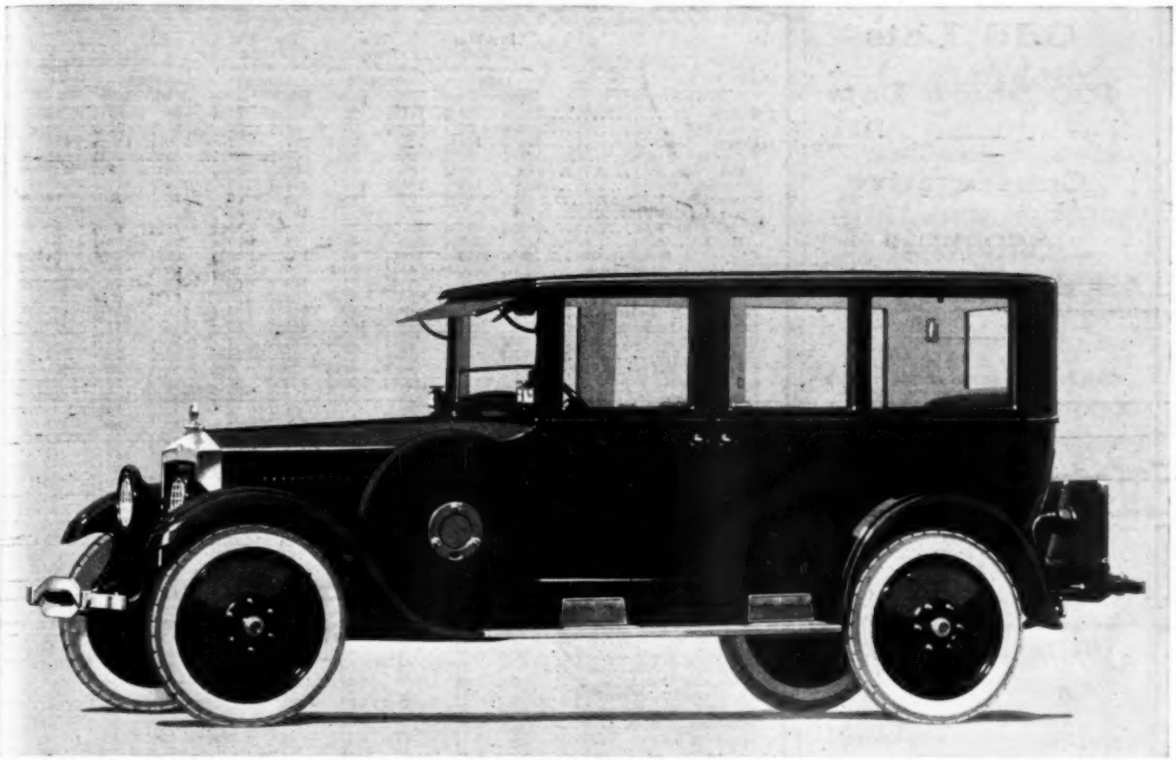
Limitation on 1918 Returns

Now as for the limitation for claiming refunds on 1918. On March 15, 1919, income tax returns for 1918 were originally due. However, in most cases, the time to file was extended as far as June 15, 1919. Under the Revenue Act of 1921, the taxpayer has five years from the time the return was due to claim a refund. It is apparent, therefore, that by June of this year, taxpayers will be precluded from obtaining a refund unless a claim therefor is filed before that time. Hence it becomes advisable for all taxpayers to cause their 1918 returns to be reviewed immediately, particularly with reference to the many important decisions that have been handed down under the Revenue Act of 1918 since the time of filing 1918 returns.

Ther are a number of cases pending in the courts today attacking the constitutionality of many provisions of the law. The decisions on most of these cases will not be announced until after the five-year period, and if they are favorable to the taxpayer, the taxpayer will not be in a position to claim their advantages unless a refund claim had first been filed within the five-year period. It is, therefore, best where the taxpayer's own case presents the same situations as those being contested in the courts, that the taxpayer file a claim for refund *now* on the ground that the Government unlawfully considered as income that which was not income, or reduced invested capital without warrant.

(*Please turn to page* 630)

***This is the fourth of a series of articles on the income-tax requirements, which will appear regularly. Mr. Seidman is chairman of the Committee of Tax Consultants of the Committee of American Business Men. He is a well-known tax expert and has written numerous articles on taxation. Mr. Seidman will answer any question on the subject directed to him by our subscribers. Such questions should be addressed to the Tax Editor. To receive attention, all communications should be signed by the writer. Mr. Seidman's answer, however, when published, will not reveal the identity of the inquirer. No letters will be answered after March* 1.**



THE SERIES 24 STUDEBAKER BIG-SIX SEDAN $2685

STUDEBAKER

Partial List of Equipment of Big-Six Sedan

Two extra disc wheels complete with cord tires, tubes and tire covers. Handsome nickel-plated bumpers, front and rear. Commodious trunk. Automatic windshield cleaner, rear-view mirror and glare-proof, glass visor.

Courtesy light, coach lamps, dome and rear corner reading lights and combination stop-and-tail light. Motometer with lock and ornamental radiator cap.

Aluminum-bound running boards with corrugated rubber mats and step pads. Aluminum kick plates. Heater, vanity case, smoking set and flower vase. Snubbers. Jeweled eight-day clock. Upholstery finest quality Chase mohair, made from the silky fleece of the Angora goat.

THE consensus of opinion among motor experts and owner-drivers is that the Studebaker Big-Six Sedan embodies all that is best in motor car design and construction.

Its handsome body has a charm for those who love motor car beauty and smartness. Its high quality of material and perfection of workmanship appeal to all who demand intrinsic fineness. And its great resources of quiet, smooth-flowing power have a genuine thrill for those with whom a superior kind of performance is paramount.

No car is more dependable, more comfortable, or freer from repairs. None is more durable or easier to handle. And none enjoys higher re-sale value in proportion to its selling price.

There's nothing experimental about the Big-Six. Every unit has proved its value in the public use. Its reputation has been won on merit. No wonder every Big-Six sells another!

1924 MODELS AND PRICES—*f. o. b. U. S. factories*

LIGHT-SIX *5-Pass., 112" W. B., 40 H. P.*		SPECIAL-SIX *5-Pass., 119" W. B., 50 H. P.*		BIG-SIX *7-Pass., 126" W. B., 60 H. P.*	
Touring	$ 995	Touring	$1350	Touring	$1750
Roadster (3-Pass.)	975	Roadster (2-Pass.)	1325	Speedster (5-Pass.)	1835
Coupe-Road. (2-Pass.)	1195	Coupe (5-Pass.)	1895	Coupe (5-Pass.)	2495
Coupe (5-Pass.)	1395	Sedan	1985	Sedan	2685
Sedan	1485				

Prices Subject to Change Without Notice

STUDEBAKER

Detroit, Michigan — South Bend, Indiana — Walkerville, Canada

Address all Correspondence to South Bend

THIS IS A STUDEBAKER YEAR

New York Stock Exchange

	Pre-War Period 1909-13 High	Pre-War Period 1909-13 Low	War Period 1914-18 High	War Period 1914-18 Low	Post-War Period 1919-1923 High	Post-War Period 1919-1923 Low	1924 High	1924 Low	Last Sale Jan. 23	Div'd $ Per Share
RAILS:										
Atchison	125⅛	90¼	111¼	75	108½	91⅛	99	97⅛	98½	6
Do. Pfd.	106¼	96	102⅛	75	95½	72	89½	86½	88⅞	5
Atlantic Coast Line	148½	102½	126	79⅞	127	77	115⅞	112½	112	7
Baltimore & Ohio	122¼	90⅜	96	88¼	60¾	27⅜	60½	57½	58	5
Do. Pfd.	96	77¼	80	48¼	66¼	33½	59½	58¼	‡58½	4
Canadian Pacific	283	165	220⅛	126	170⅞	101	150⅞	145¼	147⅛	10
Chesapeake & Ohio	92	51⅛	71	35⅜	79	46	75⅛	71	73½	4
Ches. & Ohio Pfd.	..	..	..	..	105⅝	96	101	99½	‡100⅞	6½
C. M. & St. Paul	165⅛	96¾	107⅛	35	52¾	11¼	18⅛	13⅝	16½	..
Do. Pfd.	181	130½	143	62½	76	20⅝	28	23½	26	..
Chicago & Northwestern	198½	123	136⅞	85	105	45⅞	52¾	49¼	51⅜	4
Chicago, R. I. & Pacific	..	..	45¼	16	50	19⅛	27⅜	23¼	24	..
Do. 7% Pfd.	..	..	94¼	44	105	64	83	77	‡78½	7
Do. 6% Pfd.	..	..	80	35¼	93¼	54	67⅞	65⅝	‡66½	6
Delaware & Hudson	200	147½	159½	87	141½	83¼	108½	107¼	‡107½	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	113	111	112¼	6
Erie	61¼	33½	59½	18¾	22¾	7	26½	20⅛	25⅝	..
Do. 1st Pfd.	49¼	26¼	54¾	15⅛	33	11⅛	34½	29	33⅛	..
Do. 2nd Pfd.	39⅛	19½	45⅝	13⅛	27⅝	7⅛	29⅞	25⅛	‡28⅝	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	100⅝	50⅝	59⅝	54⅜	57	..
Illinois Central	162⅛	102¾	115	85¾	117½	80⅞	103½	101½	103¼	7
Kansas City Southern	50¼	21⅜	35⅛	13½	28⅞	13	21⅛	18¼	18¾	..
Do. Pfd.	75½	56	65½	40	59½	40	53	52	‡52½	4
Lehigh Valley	121¼	62½	87⅛	50⅜	72	39¾	73¼	61	69¾	3½
Louisville & Nashville	170	121	141⅞	103	155	84¾	90½	87⅝	88	5
Mo., Kansas & Texas	51⅛	17½	24	3⅛	*19¾	*¼	13	11⅛	12	..
Do. Pfd.	78¼	46	60	6½	*48¾	*2	33½	30¼	‡32¼	..
Mo. Pacific	*77½	*21½	38½	19⅞	38⅞	8¼	12	9¾	11⅛	..
Do. Pfd.	..	..	64⅞	37½	63¾	22¼	34½	29	32⅛	..
N. Y. Central	147¾	90⅜	114¼	62½	107¼	64⅛	103⅝	101⅝	102	7
N. Y., Chicago & St. Louis	109¼	90	90¾	55	91½	23¼	79½	76⅞	‡77½	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21½	40⅞	9⅝	20¾	14⅛	17⅞	..
N. Y., Ont. & W.	55⅛	25⅛	35	17	30½	14¼	19⅞	17	‡18¼	..
Norfolk & Western	119¼	84¼	147⅛	92⅝	125⅛	84¼	105	102½	104⅝	8
Northern Pacific	159½	101¾	118⅞	75	99⅞	49¾	54¾	50⅞	53	5
Pennsylvania	75⅜	53	61½	40¼	49¾	32¼	44¼	42¼	44¾	3
Pere Marquette	*36½	*15	38⅛	9½	47¼	12⅛	44	41	43	4
Pitts. & W. Va.	..	..	40⅜	17¾	94	21⅛	45⅜	38	43¼	..
Reading	89⅝	59	115½	60⅛	108	60¾	79	55¾	56½	4
Do. 1st Pfd.	46¾	41¼	46	34	61	32⅞	56½	35⅛	36⅜	2
Do. 2nd Pfd.	58¾	42	52	33¼	65½	33¼	56	33⅛	34½	2
St. Louis-San Francisco	*74	*13	50½	21	38⅞	10¼	22½	19¼	21½	..
St. Louis Southwestern	40⅜	18½	32⅛	11	40	10⅞	37¾	33	34½	..
Southern Pacific	139⅛	83	110	75¾	118⅛	67½	88⅞	86⅝	87⅛	6
Southern Ry.	34	18	36¾	12½	38⅝	24¾	43⅛	38½	42¼	..
Do. Pfd.	86⅞	43	85¼	42	72½	42	69⅜	66¾	68½	5
Texas Pacific	40½	10¼	29½	6½	70½	14	22⅞	19	21¼	..
Union Pacific	219	137¾	164⅜	101¼	154¾	110	131	128	129⅛	10
Do. Pfd.	118½	79¾	86	69	80	61¼	73½	71¾	72⅞	4
Wabash	*27⅞	*2	17½	7	14⅜	6	13⅜	10¾	12¾	..
Do. Pfd. A	*61¼	*6⅛	60½	30⅞	39	17	39⅜	24	38½	..
Do. Pfd. B	..	..	32⅞	18	25½	12¼	26	22½	‡25	..
Western Maryland	*56	*40	23	9¼	17¼	8	11⅜	9½	‡9⅞	..
Western Pacific	..	..	25½	11	40	12	16⅜	14¾	‡15⅛	..
Do. Pfd.	..	..	64	35	78	51½	59	58	‡58¼	6
Wheeling & Lake Erie	*12⅞	*2½	27⅜	8	18¼	6	9	7½	‡8⅜	..
INDUSTRIALS:										
Adams Express	270	90	154½	42	84	22	77½	73½	‡75½	7
Allied Chem.	..	..	..	..	91¾	34	74⅝	69¾	69¾	..
Do. Pfd.	..	..	..	..	115½	83	111	110¼	‡110½	7
Allis-Chalmers	10	7⅜	49⅛	6	59¾	26½	50½	45¼	49	4
Do. Pfd.	43	40	92	32½	104	67½	98¼	92⅞	‡95	7
Am. Agr. Chem.	63⅝	33½	108	47¾	113¾	10⅛	17	14	15	..
Do. Pfd.	105	90	103½	89⅛	103	28¼	49⅝	42⅞	43⅜	..
Am. Beet Sugar	77	19¾	108½	19	103¾	24½	43¼	40½	‡42	..
Am. Bosch Mag.	..	..	..	..	143⅞	22⅞	38¾	33½	34½	..
Am. Can	47⅜	6⅞	68½	19¼	107⅝	21¾	110½	103⅛	107¾	6
Do. Pfd.	129¼	98	114½	80	115	72	111¾	109	111	7
Am. Car & Fdy.	76½	36½	98	40	201	84⅛	167¼	161	165	12
Do. Pfd.	124¾	107½	119½	100	126⅛	105¾	121	119	‡119¼	7
Am. Cotton Oil	79¼	33½	64	21	67½	3¾	12⅝	11	11⅞	..
Do. Pfd.	107½	91	102¼	78	93	26¼	37¼	33	36½	..
Am. Express	300	94¼	140½	77½	175	76	103½	95⅛	99	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	12⅛	9⅛	12⅛	..
Do. Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	56¾	50½	56	..
Am. Ice	..	..	49	8⅞	122	37	91	86	‡87¼	7
Am. International	..	..	62¼	12	132¼	16	25	22⅝	23½	..
Am. Linseed	20	6⅞	47¾	20	95	13	22⅜	18½	20¼	..
Am. Loco.	74¾	19	98¼	46⅝	136¾	58	75½	72⅝	73¼	6
Do. Pfd.	122	75	109	93	122¼	96½	119	117¾	‡118¾	7
Am. Safety Razor	..	..	..	..	22	3½	6⅞	6¼	6¼	50c
Am. Ship & Com.	..	..	..	..	47½	4¾	15⅛	11⅝	13⅜	..
Am. Smelt. & Ref.	105½	56⅜	123¾	50¼	89¾	29¼	60⅞	57½	59	5
Do. Pfd.	116¾	98¼	118⅛	97	109⅝	63¼	100	96	100	7
Am. Steel Fdys.	74½	24⅛	95	44	50	18	38¼	37	37½	3
Do. Pfd.	..	..	..	..	107	78	103¼	102	‡103	7
Am. Sugar	136⅜	99⅞	126½	89⅛	148⅜	47⅝	58⅜	54¼	56¾	..
Do. Pfd.	133½	110	123½	106	119	67½	99½	96½	98	7
Am. Sumatra Tob.	..	..	145¾	15	120½	16	28½	20¾	24⅞	..
Do. Pfd.	..	..	103	75	105	32½	69	58⅛	‡60	..
Am. Tel. & Tel.	153⅜	101	134½	90⅝	128¾	92⅛	129½	125⅛	128⅜	9
Am. Tobacco	*530	200	256	123	314½	104⅛	151⅞	148⅛	150	12
Do. B.	..	..	..	..	210	100⅛	149	147	147⅞	12
Am. Woolen	40⅝	15	60⅞	12	169½	55½	78⅜	72½	75⅛	7
Do. Pfd.	107¾	74	102	72½	111⅞	88½	102⅝	100	101⅞	7
Anaconda	54⅜	27½	105⅜	24¼	77⅞	30	38⅜	36⅝	38⅛	3
Associated Dry Goods	..	..	28	10	89	48	83⅛	79	81½	5
Do. 1st Pfd.	..	..	75	50½	89	49⅞	86	85	‡85	6
Do. 2nd Pfd.	..	..	49½	35	93½	38	92¾	89	‡92	7
At. Gulf & W. I.	13	5	147¾	4½	192⅝	9¼	16¾	13⅜	14¾	..
Do. Pfd.	32	10	74¾	9⅞	76½	6¾	13¾	12½	12½	..
Baldwin Loco.	60¾	36½	154½	26⅝	156¼	62¼	127⅝	121¼	122⅞	7
Do. Pfd.	107½	100¼	114	90	118	92	112½	112½	112½	..
Bethlehem Steel B	*51⅝	*18¾	155½	59¾	112	41½	56	53	54¾	5
Do. 7% Pfd.	80	47	186	68	108	87	93	90½	91⅞	7
Do. 8% Pfd.	..	..	110½	92½	116⅜	90	107	103	‡103	..
Burns Bros. A	45	41	161½	50	147	76	107¾	104	‡104	10
Do. B	..	..	..	..	53	21½	25⅛	24	‡24	2

Price Range of Active Stocks

INDUSTRIALS Continued:	Pre-War Period 1909-13 High	Low	War Period 1914-18 High	Low	Post-War Period 1919-1923 High	Low	1924 High	Low	Last Sale Jan. 23	Div'd $ Per Share
Calif. Packing	..	..	50	30	87½	48¼	85½	82	83⅞	6
Calif. Petro.	72½	16	42⅛	8	71⅞	15¼	26⅞	24¼	26¼	1¾
Calif. Petro. Pfd.	95½	45	81	29½	110½	63	101⅜	99½	100	7
Central Leather	51¼	16½	128	25⅞	116½	9⅛	17⅜	13⅜	16¾	..
Do. Pfd.	111	80	117½	94⅞	114	28⅛	44⅝	37⅝	43¼	..
Cerro de Pasco	..	..	55	25	67½	23	47⅜	44¾	46⅜	4
Chandler Mot.	..	..	109⅞	56	141¼	38¼	66½	59⅜	61⅜	6
Chile Copper	..	..	39¾	11¼	30⅜	7⅛	28¼	27	27¾	2½
Chino Copper	50⅜	6	74	31⅜	50⅞	14¾	20	17¼	18⅝	..
Coca Cola	..	..	..	..	83⅜	18	77½	72½	74	7
Colum. Gas & E.	..	..	54⅛	14¼	114⅞	30¼	36½	34¾	35	2.00
Consol. Cigar	..	..	..	..	80	13½	22⅛	18	18	..
Con. Gas	*165¼	*114½	*150½	*112⅛	*145¾	56¾	65⅞	60⅞	65⅞	5
Corn Prod.	26½	7⅜	50½	7	160½	46	174⅞	152⅜	174½	9
Do. Pfd.	95½	61	113½	58⅛	122¾	96	120½	116	‡116	7
Crucible Steel	19⅝	6½	109⅞	12¼	278½	49	68½	65	66⅛	4
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	5⅛	15⅞	14½	15⅝	..
Cuban-Amer. Sugar	*58	*33	*273	*38	*605	10⅞	35½	33	35½	3
Endicott-Johnson	..	..	..	..	150	44	67½	64	65	5
Do. Pfd.	..	..	..	..	119	84	115	113	‡113¾	7
Famous Players	..	..	..	..	123	40	72½	68⅝	69½	8
Do. Pfd.	..	..	..	..	107⅜	66	91⅞	89⅜	‡90	8
Freeport Tex.	..	..	70½	25¾	64⅜	9½	13⅞	11½	11¾	..
Gen'l Asphalt	42⅞	15½	39⅜	14¼	160	23	46⅛	39⅝	43½	..
Gen'l Electric	188½	120¾	187¼	118	202¾	109½	217	193½	212¼	8
Gen'l Motors	*51¾	*25	*850	*74½	42	8⅛	15⅜	14¾	14⅞	1.20
Do. 6% Pfd.	..	..	99½	72¾	95	63	83	81⅛	‡81¾	6
Do. 6% Deb.	..	..	..	..	94¾	60	82⅞	81	82	6
Do. 7% Deb.	..	..	..	..	105	69	99½	98	99¼	7
Goodrich	86½	15½	80¼	19⅜	93⅜	17⅜	26¾	22¾	24½	..
Do. Pfd.	109¾	73⅜	116¾	79⅞	109½	62½	80	75	77	7
Gt. Nor. Ore	88½	25½	50⅜	22½	52¾	24⅞	30	28	29	..
Houston Oil	25½	8¼	86	10	116½	40½	71¾	67¾	70	..
Hudson Motors	..	..	..	..	32¾	19½	28¾	27	27½	3
Hupp Motors	..	..	11¾	2½	29½	4⅝	18	16⅛	16⅜	1
Inspiration	21⅜	13⅞	74¾	14¼	68⅞	23¼	27¼	25	27	2
Inter. Mer. Marine	9	2⅛	50⅝	⅝	67¼	4⅞	7⅞	6¾	‡7⅜	..
Do. Pfd.	27⅝	12½	125⅝	8	128½	18½	33⅜	29⅞	30⅞	..
Inter. Nickel	*227¼	*135	57½	24½	33⅞	10⅛	14¼	13	13	..
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	40½	37½	38¾	..
Invincible Oil	..	..	..	..	47¼	5½	16⅞	15⅛	15⅛	..
Kelly Springfield	..	..	85¼	36⅞	164	20½	35	30¼	31¼	..
Do. 8% Pfd.	..	..	101	72	110⅛	70¼	89	84¾	‡86	8
Kennecott	..	..	64¼	25	45	14⅝	35¾	34½	35¾	3
Keystone Tire	..	..	46½	11	126¾	1⅜	4⅜	3¼	3⅝	..
Lima Locomotive	..	..	..	..	74⅞	52	68½	65½	66⅞	4
Loews, Inc.	..	..	..	..	38⅜	10	18	17⅛	17⅜	2
Loft, Inc.	..	..	..	..	28	6	8¾	7¼	7¾	..
Miami Copper	30¼	12¾	49¾	16⅛	32¾	14½	22⅞	22	22⅝	2
Middle States Oil	..	..	..	..	71¾	3¼	6⅞	5⅞	6¼	..
Midvale Steel	..	..	98½	89½	62¼	21½	30⅞	28¾	‡29⅝	..
Nat'l Lead	91	42½	74⅝	44	148	63½	146	137½	144¾	8
N. Y. Air Brake	93	45	136	55⅞	145¼	26⅝	43⅝	39¼	43	4
N. Y. Dock	40¼	8	27	9¼	70¼	15¼	24⅝	19	24⅛	..
North American	*87⅞	*60	*81	*38⅞	100¼	17½	25	22	24¾	2
Do. Pfd.	..	..	..	..	48½	31⅞	45	43⅞	44⅝	3
Pacific Oil	..	..	..	..	69⅜	27½	52½	48¼	51⅞	2
Pan. Amer. Pet.	..	..	70¾	35	140¼	38⅛	61¼	50⅛	50⅛	6
Do. B	..	..	..	..	111¾	34⅛	59½	47⅝	48¼	6
Philadelphia Co.	59¼	37	48⅞	21½	50¼	26½	45⅞	43	45¼	4
Phillips Pet.	..	..	..	..	69⅝	16	37⅜	33⅜	35⅝	2
Pierce Arrow	..	..	65	25	99	6¼	12⅛	9¼	10¼	..
Do. Pfd.	..	..	109	88	111	13½	30⅝	26¼	27	..
Pittsburgh Coal	*29¾	*10	58¾	37½	74⅜	45	63½	61	61½	4
Pressed Steel Car	56	18½	88¼	17¼	113¾	42½	56¾	52½	54⅞	4
Do. Pfd.	112	88½	109⅛	69	106	80	85	83	‡83½	7
Punta Aleg. Sug.	..	..	51	29	120	24¾	58¾	56	58¼	5
Pure Oil	..	..	143⅞	31⅞	61⅞	16¼	25	23⅜	24⅜	1½
Ry. Steel Spg.	54½	22¼	78½	19	126¼	67	114½	106	114	8
Do. Pfd.	113⅜	90¼	105½	75	121½	92½	114¾	113	‡113	7
Ray Cons. Cop.	27½	7½	37.	15	27½	9⅞	12	10¾	11½	..
Replogle Steel	..	..	..	..	93½	8	14¾	11¼	14¼	..
Republic I. & S.	49½	15¾	96	18	145	40⅛	55	50¼	54	..
Do. Pfd.	111¼	64½	112⅜	72	106¾	74	91⅞	89	91	7
Royal Dutch N. Y.	..	..	66	56	123⅜	40½	54⅞	48	54⅞	3.46
Shell T. & T.	..	..	..	..	90¼	29⅛	35	33	‡35	2.06
Sinclair Con. Oil	..	..	67⅛	25⅛	64¼	16	27⅛	22¾	23¼	..
Stand. Oil N. J.	*448	*222	*800	*355	*212	30⅞	42	39⅞	40⅞	1
Do. Pfd.	..	..	..	..	118¼	100½	118⅜	117	118¼	7
Stromberg Carb.	..	..	45¼	21	118¼	22⅛	84⅞	79	79⅜	9½
Studebaker	49½	15¾	195	20	151	37¾	108¼	99¼	101¾	10
Do. Pfd.	98⅛	64½	119½	70	118¼	76	115	115	‡115	7
Tenn. Cop. & Chem.	..	..	21	11	17¼	6¼	9⅜	8⅞	9⅛	1
Texas Co.	144	74½	243	112	57¾	29	44¾	43½	43⅞	3
Tex. Pac. C. & O.	..	..	..	..	105	5½	12½	10½	12½	..
Tobacco Prod.	145	100	82⅜	25	118	45	69	65	66⅝	6
Transcontl. Oil	..	..	..	..	62⅜	1⅛	6¼	4	5⅝	..
United Fruit	208½	126½	173	105	224⅞	95¾	189	182	187	10
Un. Retail Stores	..	..	..	..	119¼	43½	4	2⅛	‡3⅞	..
U. S. Ind. Alco.	57¼	24	171½	15	167	35¼	75	67¾	74¾	..
U. S. Rubber	59½	27	80½	44	143¾	30⅝	42⅞	37⅜	39⅞	..
Do. Pfd.	123½	98	115¼	91	119½	74	94⅜	88⅜	89	8
U. S. Smelt. & R.	59	30⅜	81½	20	78⅛	18⅜	22½	20½	21	..
U. S. Steel	94⅞	41¼	136⅝	38	115½	70¼	101⅝	98⅛	100¼	5¼
Do. Pfd.	131	102½	123	102	123½	104	120½	119	120	7
Utah Copper	67½	38	130	48½	97½	41⅛	66¾	64	65⅛	4
Vanadium	..	..	..	..	97	24¼	31¾	29⅛	30	..
Va.-Caro. Ch.	70⅜	22	60¼	15	92½	6¼	10⅜	7⅝	7¾	..
Do. Pfd.	129½	62	115⅜	80	115⅞	17	34¾	27	27¾	..
Western Union	88¼	56	105½	58⅜	121¼	76	111½	107	110	7
Westinghouse Mfg.	45	24¾	74⅞	32	67⅛	38⅞	65	59¾	64	4
White Motors	..	..	60	30	86	29¼	55⅜	53⅜	54	4
Willys Overland	*75	*50	*325	15	40¼	4½	14¾	10	12⅜	..
Wilson Co.	..	..	84¾	42	104⅞	19	28	25	‡25½	..
Woolworth	177⅜	76⅛	151	81½	290	100	295	280	295	8

* Old stock.

‡ Bid price given where no sales made.

ANSWERS TO INQUIRIES

(*Continued from page* 615)

hand to continue a satisfactory rate of operation for the first quarter of 1924. The company is in good financial condition, balance sheet as of December 31, 1923, showing a working capital of $5 million, ratio of current assets to current liabilities being about 3½ to 1. We consider the stock to have good long-pull possibilities. The management is generally considered to be efficient and progressive.

RAILWAY STEEL SPRING

Strong Financial Condition

Will be pleased to have your opinion of Railway Steel Spring common stock.—F. A., New Rochelle, N. Y.

We consider Railway Steel Spring a good long-pull holding. This company retained the larger portion of its war profits in liquid assets and this apparently assures the continuance of the 8% dividend, even should business fall off. Business of the company in 1923 was very satisfactory.

AMERICAN SAFETY RAZOR

Increase in Earnings

What are the earnings of American Safety Razor? What is your opinion of the stock? —B. N., Baltimore, Md.

American Safety Razor, for the nine months ended September 30, 1923, earned 79c a share on the stock, which is at the rate of $1.05 per share per annum. This compares with 85c a share earned for the full 1922 year. As of September 30, 1923, total current liabilities were only $139,900 as against this there were current assets of $1.8 million. This indicates a distinct improvement in the company's affairs and at present levels we regard the stock as a good long-pull holding.

NATIONAL FIREPROOFING

1923 a Record Year

I would like to have some information in regard to National Fireproofing.—H. G. B., New York City.

In 1923, National Fireproofing had the best year in its history. Reliable estimates are to the effect that surplus of about half a million will be shown after deducting three dividends of 50c each on the preferred. Moreover, the outlook at the present time is very encouraging for active operations in 1924. We consider the stock to have good long-pull possibilities.

ISLAND CREEK COAL

Earnings Lower

Can you tell me how earnings of Island Creek Coal have been this year? Do you think well of the stock?—G. G., Lynn, Mass.

Island Creek Coal for the quarter ended September 30th, 1923, reported earnings equal to $4.61 a share on the common stock. For the nine months ended September 30th, earnings available for the common were equal to $14.80 a share, as compared with $20.75 a share in the same period of 1922. Although earnings this year have been small, they are still largely in excess of present dividends being paid. The company is in strong financial condition, net current assets at the present time being above $5 million. We consider the stock an attractive long-pull holding.

AUTO KNITTER HOSIERY

Low Asset Value

I have been advised to buy Auto Knitter for a substantial advance in price. Can you let me have some information about the company as to earnings, finances, etc.? At what price was the stock first offered to the public?—H. E., White Plains, N. Y.

Auto Knitter Hosiery Co. stock was first offered to the public February, this year, at $22.50 a share. Earnings for the first three months of 1923 were equal to $1.08 a share on the 100,000 shares of capital stock outstanding. Earnings for the first six months, however, were equal to only $0.94 a share, thus indicating that in the second quarter the company operated at a loss. Balance sheet as of December 31, 1922, showed cash on hand of $86,000 and other current assets of $501,000. As against this were current liabilities and taxes totaling $189,000, thus indicating a working capital of about $400,000, equal to $4 a share. Real estate, plants and equipment are carried on the books at $211,000, thus giving the stock a book value of about $6 a share. The company's business consists of selling knitting machines to the general public and purchasing the products of these machines, consisting principally of woolen socks. The stock should be regarded, in our opinion, as an uncertain speculation, and we have never favored it. At present levels it may have speculative possibilities, but our advice is to select a stock with greater intrinsic value behind it.

WHAT WILL U. S. STEEL DO FOR ITS SHAREHOLDERS IN 1924

(*Continued from page* 581)

275 million dollars. The Corporation has need of no such large amount in its business, and if it desired could make a very handsome extra dividend disbursement out of part of its Liberty bond holdings alone. Whether or not the directors would take such actions is not within the province of this article to discuss. It is important, however, to realize that with financial position so strong, the Corporation has arrived at a position where it no longer requires the use of the major part of its current assets and that these earn-

ings in large part can be distributed to the shareholders.

Last year, earnings were equivalent to considerably over twice the annual dividend requirements of $5 per share. Of this amount, in addition to the regular dividend, only 25 cents per share have as yet been distributed to shareholders. Considering that the policy of the Corporation has always been generous to shareholders, the recent declaration of ¼% extra dividends should not be taken as the last word along these lines. So far as it is humanly possible to predict, it seems almost certain that shareholders this year will benefit to a greater extent than was the case in 1923. With the stock hovering persistently around par, it would seem that the dividend will be increased this year, otherwise the current price would not be warranted, as measured by the usual investment standards. A significant fact is that the steel business is now improving, which, if continued, would easily pave the way to an extra dividend of unusual size or at least the permanent placing of the common stock on a 6 or 7% annual basis.

WHY I WOULD NOT BE A HOME OWNER

(*Continued from page* 603)

tle consideration. Why should I make things any more difficult for her?

Marooned!

Finally, I would not buy a home because, were I to do so, it would have to be a suburban home—and I have distinct antipathy to being "marooned" as, comparatively speaking, most suburban dwellers seem to be. I'm no devotee of the bright lights, ladies and gentlemen. I can take my amusement in mild, healthy doses, without excess. I haven't any petty illusions of the variety called "snobbish." Just the same, when "Prue and I" want to go on a little spree, or when we manage to scrape together enough to afford an opera or a symphony concert, or maybe just the "movies"—well, we want the spree and the opera and the symphony to be within something approaching reasonable proximity. We don't want to have to travel half the evening to get there and then travel the other half getting home.

Prejudice Admitted

Oh, yes! I admit I'm prejudiced. I daresay any home owner who reads these words will put me down for a darn, weak-minded, spineless, etc., etc., etc. In fact, there are a few home-owning types I have encountered who, if they read these words, wouldn't rest until they had managed, somehow, to get their hands on me and show me the error of my ways.

Nevertheless, them's my sentiments—and I stick to them.

If anyone hopes to make a home owner out of me, he'll have to make conditions a lot different from what they are today.

Current Bond Offerings

Volume of New Issue Increases

THERE were several interesting features attached to the new bond market in the past several weeks. One was the fact that the volume offered was greatly in excess of that of the previous similar period. The other was the rather unusually large volume of foreign issues, which were divided between Canadian municipals and the $40,000,000 bond issue of the Argentine Government.

There were no large individual issues aside from $60,000,000 farm loan bonds and the Argentine issue alluded to.

Money rates continue low and amount of investable funds steadily increases, offering a good opportunity to those companies desiring to finance themselves.

The old bond market continues to show great strength and the averages show that prices are now at the highest point in a year. As these bonds continue to advance with correspondingly smaller yields, the new issues floated will be at an advantage, for most of them offer yields in excess of those offered by old bonds of corresponding quality.

NEW BOND OFFERINGS

	Amount	Yield Off'd (%)
STATE AND MUNICIPAL		
Rochester, N. Y.	$4,200,000	4.00–4.10
Providence, R. I.	2,000,000	4.25
Kansas City, Mo.	1,000,000	4.50
West Virginia	2,750,000	4.35–4.40
Seattle, Wash.	1,000,000	5.50
Yonkers, N. Y.	1,766,000	4.10
Santa Monica, Cal.	1,000,000	4.75
FOREIGN		
Greater Winnipeg Water District, Manitoba	$2,000,000	5.35
Ottawa, Ontario	1,788,000	5.00–5.20
City of Toronto	3,000,000	5.15
Gov't of Argentina	40,000,000	6.25
RAILROAD		
Chicago Un. Station	$7,000,000	5.13
PUBLIC UTILITY		
Los Angeles Gas & Electric Corp.	$8,000,000	6.05
San Antonio, Tex., Pub. Serv. Corp.	1,750,000	6.38
S'thern Cal. Gas Co.	1,500,000	6.15
N. Y. State Gas & Elect. Corp.	2,350,000	6.00
INDUSTRIAL		
Nat'l Steel Car Lines Co.	$1,000,000	6.00–6.50

INCOME TAX DEPT.

(*Continued from page* 624)

The taxpayer may also find that he did not take advantage either in part or in entirety of certain deductions allowed by law, as amortization, depreciation, obsolescence, reasonable officers' salaries, etc. In all these cases the original returns should be restated and claims for refund filed. Or if the taxpayer finds that the tax paid was entirely disproportionate to the tax paid by representative concerns in the same line of business, a claim for relief and refund should be filed.

No matter what the situation may be, no time should be lost in reviewing the 1918 return to make sure that if there is any possible basis for a refund, a claim therefor is immediately filed.

One of the provisions of the income-tax law most beneficial to taxpayers is that known as the "net loss" provision, which enables a net loss of one year to be applied against the income of the next two succeeding years.

This provision found its way into the law undoubtedly as a result of the clamor of taxpayers who urged that since the Government was sharing in profits, there ought to be some way in which it also took part in losses. The medium adopted by Congress was that of enabling losses of one year to be deducted from the income of the next two years.

Importance of Accounting Losses

Accordingly, net losses of 1921 and 1922 can be offset against 1923 income. It will therefore be apparent that it becomes just as important to accurately account for losses as it is to account for profits. This cannot be overemphasized for it is recognized that the human tendency is to look with indifference upon the necessity of accounting for losses, perhaps with the thought that it is throwing good money after bad. As a matter of fact, it is ordinarily more advisable to have a thorough accounting made of losses than it is of profits, in order that the finger may be placed on the sore spot. But now further incentive is provided to make everyone strictly account for losses, for such accounting now has a definite dollars and cents value.

Definition of the Net Loss

It will be observed that to take advantage of this provision of the law, there must be a net loss. The definition of a net loss for this purpose is different from what might be ordinarily supposed. For one, the tax net loss does not mean the net loss shown by a taxpayer's books, nor even on the taxpayer's return. The definition laid down in the law is highly technical. Generally it embraces such a loss as results from the excess of the deductions allowed by law over the gross income of the taxpayer, after considering non-taxable income and unallowable deductions.

Furthermore, the net loss must arise from the operations of a trade or business. Losses arising from isolated transactions, or from transactions not connected with a trade or business do not come

within the meaning of the law. However, losses arising from the sale or other disposition assets used in the conduct of a business, such as equipment, real estate, etc., may enter into the computation of a net loss. A trade or business has been defined as a calling entered into for profit and with sufficient frequency to constitute a vocation.

Must Be for Full Year

Then again, the net loss must result from a full year's operations and can be applied only against the income of a full year. In other words, the loss must be sustained from the operations of a twelvemonth period and applied against the income of a similar period. If, therefore, a loss was sustained for the calendar year 1922, it could be applied against the income for the calendar year 1923, but if during the year 1923 permission was obtained to change the basis of returns from a calendar year to a fiscal year ended, let us say, on June 30, it would be necessary to file a return, under the law, for the period from January 1, 1923, to June 30, 1923. The net loss of 1922 could not be applied against the income for that period because that period was less than a year.

How to Show It

The way to take advantage of the net loss on the tax return itself is to show it as a deduction under the caption "other items allowed by law." No specific place is provided on the return for recording prior years' net losses, so that the method suggested is probably the most logical and also is in accordance with the Income Tax Department's rulings.

However, while the net loss is thus entered as a deduction, it is not to be so considered in determining the exemption that the taxpayer is entitled to. From a previous article we have learned that a corporation that has an income of $25,000 or less is entitled to an exemption of $2,000, but can get no exemption if its income is in excess of that $25,000. Let us assume that we have a corporation whose income for 1923 is $50,000, but which sustained a net loss in 1922 of $30,000. The actual net income upon which the 1923 tax is to be computed is $20,000, but for the purpose of arriving at the exemption the income is considered as $50,000, and, therefore, the corporation is not entitled to any exemption.

There is nothing in the law or regulations covering this point. The only ruling on it has come through an office decision of the Department. It appears to the writer, however, that a good argument can be advanced the other way round, that is, that the basis for the exemption should be the amount of the income after deducting the net loss.

The benefit of the net loss provision can be taken not only by corporations and individuals, but also by the members of partnerships and beneficiaries of trusts. The net loss to be used in such cases is the pro-rata interest of any particular partner or beneficiary in the total net loss of the partnership or trust.

The important thought that the net

loss provision should hammer home is that it is as necessary to strictly account for losses as it is for profits.

Questions and Answers

Q. The president of our corporation died in 1918, and the corporation collected $50,000 insurance. The Government is assessing us an additional tax including this amount as income. Must we pay on it? It is our argument that the loss of the president's services far exceeds the amount that we recovered as insurance, so that there certainly cannot be said to be any income to us.

A. As a practical proposition, you are of course correct. However, the income-tax law holds the other way. It is of interest to note that this very point is now being argued in the courts, and the last court decision has held that the Government cannot constitutionally tax such insurance proceeds as income. The case will undoubtedly be carried through to the Supreme Court of the United States. Until that court decides the question, the Government will insist upon the enforcement of the law as it stands.

Q. My brother and I contribute to the support of my mother. Can both of us take the exemption in full, or must we split it between us? I am told that each one of us can take the full exemption because we are both supporting her.—E. C.

A. You cannot both claim the credit in full, nor can you split it between you. Only one person can take a credit for support, and that is the person that contributes chiefly to the support of the dependent. If you both equally contribute neither one of you can claim the credit. If one of you contributed more than 50% of the amount necessary for supporting the dependent, then that one is entitled to the credit.

Q. In a reorganization, where common stock, preferred stock and bonds are received in exchange for common stock and cash, is it necessary that all the securities received in exchange be sold before any loss can be taken? It seems to me that this would be very severe on the taxpayer, for there might be some part of his holdings that he would want to continue to own, although he would suffer a loss on the others that he sold.—H. S.

A. It is not necessary that all the securities received in the reorganization be sold before a loss can be taken. Each sale may have the element of profit or loss in it. This is computed by pro-rating the cost of the securities exchanged over the securities received in accordance with the marked value immediately after the exchange of the securities received.

Q. May a person call a particular town his City of residence and still work in another town a good portion of his time? In other words, could a person live in St. Louis and have an office in New York and remain there or on the road traveling out of New York a good part of the time—L. L. T.

A. It is possible for a person to reside in one state and work in another, even though a good part of his time is spent in that other. A person is deemed to reside wherever it is his intention to stay. It is the intention that controls. Thus a traveling salesman or a sojourner will not be deemed to reside in a particular locality merely because he happens to be in that locality a considerable time.

NVESTMENT OPPORTUNITIES IN LOW-COUPON BONDS

(*Continued from page* 586)

the first mortgage bonds will be adversely affected by legislation or any other factor, and the issue certainly appears to be undervalued at the present time.

SEABOARD AIR LINE GOLD 4s ATTRACTIVE

Have Not Fully Discounted the Road's Recovery

FOR a number of years past, the market price of these bonds has been depressed by the very poor showing made by the road. At no time in the last decade has a substantial margin been earned over fixed charges. Due to this fact, the bonds have moved more or less in sympathy with earnings, as well as with conditions in the money market, and will no doubt continue to do so for a long time to come.

However, this may be considered as adding a definite element of attractiveness to the issue, rather than detracting therefrom. During the current year, the road made a highly encouraging showing, which has apparently been but partly discounted by the price of the bonds. In 1921, a net deficit was reported amounting to $224,000, and in 1922 another deficit was reported which this time exceeded 1.1 million dollars. Had it not been for the receipt of 1.3 millions from the government in the former year, both deficits would have been quite formidable.

In contrast with these results, Seaboard Air Line earned its interest charges for the entire year, in the first nine months of 1923 alone, and it is expected that the official report for the full twelve months operation will show the preferred dividend earned. Such a favorable showing has been made possible by a 17% increase in gross revenues over 1922, and increased efficiency in operations. The average train load was increased and the movement of freight expedited, with a consequent decrease in fuel expenses. Furthermore, the road was able to improve the condition of its equipment to a considerable extent. The percentage of unserviceable locomotives and freight cars was practically cut in half during the year. Everything considered, Seaboard's outlook is more favorable than it has been in a number of years.

The first Gold 4s of 1950 were issued in 1900. They are a direct obligation of the company and secured by a direct mortgage on 2,485 miles of road, and a first lien on 279 miles. On the remaining mileage they are subject to prior liens amounting to 27 million dollars. While

there are but 12.7 millions of First 4s outstanding in the hands of the public, an additional 27 millions are pledged under a refunding mortgage. Adding the total of underlying bonds and the amount of First 4s outstanding and pledged, the mortgage indebtedness works out at $26,870 per mile.

As can readily be seen from this computation, the bonds are fairly well secured and are entitled to an investment rating. While they might prove to be vulnerable to a really drastic reorganization, should one ever become necessary, it is probable that they would even then not be seriously affected, due to the prior lien on part of the road's mileage. **Compared with the relatively small risk involved, they appear to be attractive at a present price of 61 to yield 6.5% currently and 7.4 to maturity.**

TRADE TENDENCIES

(*Continued from page 609*)

LEATHER

Mixed Conditions

Reduction in the supply of hides has been marked in the past few months. Stocks held by various interests were down to 5.23 million hides and skins as of November 30, 1923, the lowest figure in more than three years. Prices have shown steady recovery as a result of this strong statistical position and more recently have developed real strength which has communicated itself, in some measure, to leather. The position of the latter material is not so good however, as stocks held by tanners are still much too large. Moreover, the shoe industry shows little animation, hence actual demand for leathers is slack and stiffening of prices lacks the significance attaching to expanding business.

Tanners, faced by the same condition of poor export demand and reduced domestic consumption which has been prevalent for some months, are courageously adhering to their policy of restricting output. Operations are still confined to a rate approximating 50% of capacity. Obviously this is not a satisfactory state of affairs. Unfortunately, it seems improbable that material improvement will occur in this direction until consumption of leather has increased considerably beyond immediate limits.

Leather companies have undertaken to combat the growing use of substitutes and have met with some success although much has yet to be done. Style changes in the shoe industry have borne especially hard upon the tanners. Broadly speaking, the industry seems some way from satisfactory profits, even though earnings have of late shown a tendency to improve.

Need help in solving your Insurance problems? Ask our Insurance Department.

UNLISTED UTILITY BOND INDEX

POWER COMPANIES

	Investment Grade	Asked Price	Yield
Adirondack Power & Light 1st & Ref. 5s, 1950	B..	100	6.00
Adirondack Electric Power 1st 5s, 1962	A..	96½	5.20
Alabama Power Co. 1st 5s, 1946	B..	93	5.55
Appalachian Power Co. 1st 5s, 1941	B..	90½	5.85
Appalachian Power Co. 7s, 1936 (Non-Callable)	B..	102	6.70
Ashville Power & Light 5s, 1942	B..	95	5.40
Carolina Power & Light 1st 5s, 1938	B..	97	5.20
Central Maine Power 1st & Gen. Mtge. 7s, Ser. A, 1941	B..	107	6.10
Colorado Power Co. 1st 5s, 1953	B..	87½	5.95
Consumers Power Co. (Mich.) 1st 5s, 1936	B..	97½	5.28
Electrical Development of Ontario 5s, 1933	B..	96	5.55
Great Northern Power Co. 1st 5s, 1935	B..	91	6.15
Great Western Power Co. 5s, 1946	B..	94	5.45
Hydraulic Power 1st & Imp. 5s, 1951	A..	99	5.20
Indiana Power Co. 7½s, 1941	B..	103½	7.10
Idaho Power Co. 5s, 1947	B..	90	5.80
Laurentide Power Co. 1st 5s, 1946	A..	95	5.38
Madison River Power Co. 1st 5s, 1935	A..	98	5.22
Mississippi River Power 1st 5s, 1951	B..	93	5.50
Nebraska Power Corp. 1st 6s, 1949	B..	101	5.90
Niagara Falls Power 1st & Cons. Mtge. 6s, 1950	A..	104¼	5.65
Penn.-Ohio Power & Light 8% Notes, 1930	B..	102½	7.50
Puget Sound Power Co. 1st 5s, 1933	A..	97	5.35
Salmon River Power 1st 5s, 1952	B..	96	5.28
Shawinigan Water & Power 1st 5s, 1934	A..	101	4.82
Southern Sierra Power Co. 1st 6s, 1936	A..	100	6.00
Wisconsin Edison Co. 6s, 1924	A..	100	6.00

GAS AND ELECTRIC COMPANIES

	Investment Grade	Asked Price	Yield
Bronx Gas & Electric 1st 5s, 1960	B..	91	5.55
Burlington Gas & Light 1st 5s, 1955	B..	84	6.18
Buffalo General Electric 1st 5s, 1939	A..	101¼	4.98
Cleveland Elec. Ill. Co. 5s, 1939	A..	100	5.00
Cons. Cities Light, Power & Traction 1st 5s, 1962	C..	66	7.80
Dallas Power & Light 6s, 1949	B..	101	5.95
Denver Gas & Electric 1st 5s, 1949	A..	94½	5.40
Evansville Gas & Electric 1st 5s, 1932	B..	96½	5.65
Houston Light & Power 1st 5s, 1931	B..	95	5.80
Indianapolis Gas Co. 1st 5s, 1952	B..	85½	6.05
Nevada-California Electric 1st 6s, 1946	B..	96	6.35
Oklahoma Gas & Electric 1st & Ref. 7½s, 1941	B..	103	7.15
Oklahoma Gas & Electric 1st Mtge. 5s, 1929	B..	95	6.10
Portland Gas & Coke 1st 5s, 1940	B..	95	5.55
Rochester Gas & Electric 7s, Series B, 1946	B..	109	6.25
San Diego Cons. Gas & Electric 1st Mtge. 5s, 1939	B..	95	5.50
Syracuse Gas Co. 1st 5s, 1946	A..	94	5.80
Tri-City Railway & Light 5s, 1930	B..	92	6.50
Twin State Gas & Electric Ref. 5s, 1953	B..	80	6.50
United Light & Railway 5s, 1932	B..	89	6.70

TRACTION COMPANIES

	Investment Grade	Asked Price	Yield
Columbus Street Railway 1st 5s, 1932	B..	87½	6.95
Detroit United Railway 1st Coll. 8s, 1941	B..	108	7.15
Galveston-Houston Electric Railway 1st 5s, 1954	B..	85	6.05
Kentucky Traction & Terminal 5s, 1951	C..	75½	7.10
Knoxville Railway & Light 5s, 1946	C..	83	6.45
Minn. Street Ry. & St. Paul City Ry., Jnt. 5s, 1928	B..	93½	6.70
Memphis Street Railway 5s, 1945	C..	74	7.45
Northern Ohio Traction & Light 6s, 1926	B..	95½	7.70
Nashville Railway & Light 5s, 1953	B..	90	5.70
Schenectady Railway Co. 1st 5s, 1946	C..	65	8.50
Topeka Railway & Light Ref. 5s, 1953	B..	87	6.05

HOLDING COMPANIES

	Investment Grade	Asked Price	Yield
American Lt. & Trac. 6s, 1925 (Without Warrants)	A..	101	5.30
American Gas & Electric 6s, 2014	B..	96	6.25
American Power & Light 6s, Series A, 2016	B..	93½	6.40
Federal Light & Traction 1st 5s, 1942	B..	89	6.00
General Gas & Electric s. f. 7s, 1952	B..	100	7.00
General Gas & Electric 1st 5s, 1925	B..	99	5.70
Middle West Utilities 8s, 1940	A..	107	7.20
Standard Gas & Electric 7½s, 1941	B..	103½	7.05

TELEPHONE AND TELEGRAPH COMPANIES

	Investment Grade	Asked Price	Yield
Bell Tel. Co. of Canada 1st 5s, 1925	A..	98½	5.40
Chesapeake & Potomac Tel. Co. (Va.) 1st 5s, 1943	A..	95	5.40
Home Tel. & Tel. Co. of Spokane 1st 5s, 1936	A..	95½	5.45
Western Tel. & Tel. Collateral Trust 5s, 1932	A..	98½	5.30

PUBLIC UTILITY BONDS IN DEMAND

Issue of several new offerings featured by higher prices—Utilities outstanding feature of bond markets

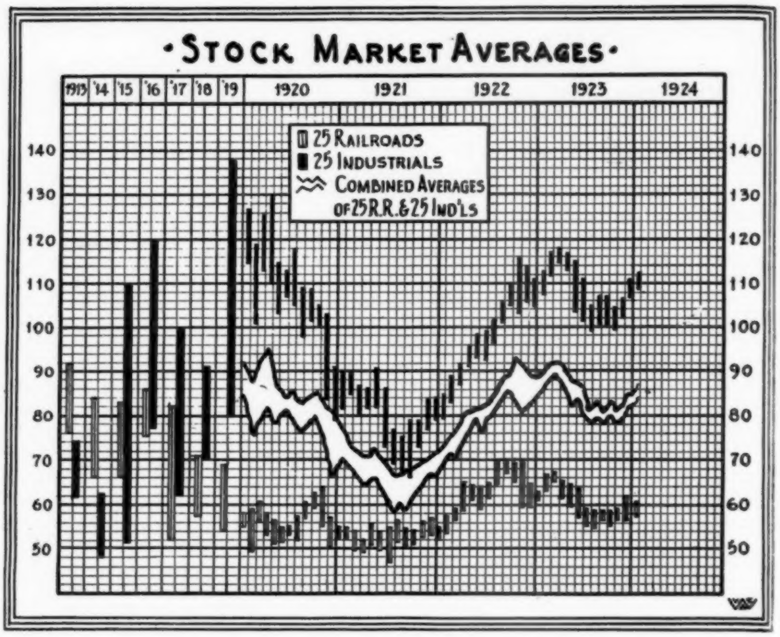
WHILE bond markets generally, listed and unlisted issues, were dull and unchanged and have been so since the turn of the new year, the public utilities have come into prominence showing strength accompanied by a good demand. This is not surprising, and is as had been anticipated in investment circles as it has been a matter of record that, while industrial and other issues had been moving slightly higher during December, the public utility issues were lagging. The belated movement in the utility issues is expected to continue during the next few weeks, and, while no great advances are looked for, it is indicated that slightly higher prices will prevail for the time being.

While there have been several new issues of large proportions since the first of the year, they are now estimated to be below the usual January offerings. February is expected to see several new issues as many of the companies have not yet made up the 1924 budgets. The few issues which have come out recently have been looked upon as in the nature of a test, testing out the market as to how they will be taken at the yields offered.

The Market Street Railway issue, among the first to come on the market after the turn of the year, showed a yield of 7%. Others which have been coming out have not been so favorable to the investors, though some allowance must be made for a relatively higher yield on account of the issue being that of a traction company. Among the new issues have been Union Electric Light & Power of Illinois 5½s, put out at a price to yield 5.80%. The issue was for $10,000,000. Los Angeles Gas & Electric Corporation put out $8,000,000 of 6% bonds, and they were offered at 99 to show a yield of 6.05%, while Standard Gas & Electric was also out with a $10,000,000 6½% issue.

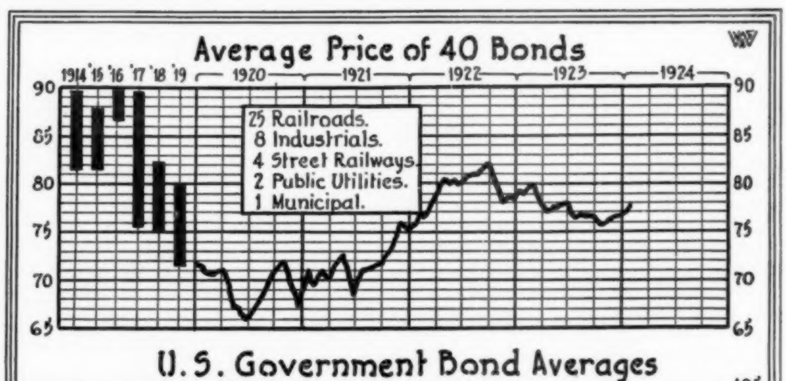
An item of importance in connection with the advance of utility bonds and which undoubtedly helped to make for the better sentiment, was the decision in the case of the New York & Queens Gas Co., a subsidiary of Consolidated Gas Co., in which the Southwestern Bell Telephone decision was virtually upheld. The Special Master in the case in his report to the court held that the utility company was entitled to an 8% return on the reproduction cost of the properties involved in production of gas and not the original cost. All this, of course, had been enacted into law in the decision in the Telephone case by the United States Supreme Court previously, but the importance and significance of this confirmation is that apparently it is becoming recognized that reproduction cost of properties must be considered in fixation of rates.

While the trend to bond prices at least temporarily seems to be upward, it is suggested that the prospective investor may profitably seek the less known issues of merit as presenting more opportunities than the better known and popular issues.



MARKET STATISTICS

	N.Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N.Y. Times 50 Stocks High	N.Y. Times 50 Stocks Low	Sales
Thursday, January 10...	77.91	97.23	82.80	86.16	85.21	1,304,225
Friday, January 11......	78.07	97.46	82.59	86.96	85.24	1,065,105
Saturday, January 12....	78.22	97.25	82.63	85.92	85.43	630,361
Monday, January 14.....	78.33	95.68	81.75	85.59	84.22	1,184,149
Tuesday, January 15....	78.29	96.09	79.98	84.93	84.02	955,566
Wednesday, January 16..	78.24	96.65	80.81	85.43	84.57	929,557
Thursday, January 17...	78.23	96.42	80.76	85.84	84.79	1,177,264
Friday, January 18......	78.09	96.28	80.80	85.50	84.77	836,585
Saturday, January 19....	78.21	96.60	80.79	85.33	84.91	454,960
Monday, January 21.....	78.19	97.28	80.85	85.81	84.73	906,920
Tuesday, January 22....	78.18	97.23	80.76	85.98	85.20	966,150
Wednesday, January 23..	78.33	97.23	80.67	86.18	85.31	934,477



HAVE THE ENGLISH BANKS THE BEST SOLUTION OF THE "EMPLOYES' BONUS"?

(*Continued from page* 621)

bonus at the Christmas season just past; and some of them did so in spite of the fact that in previous years they had expressly stated that they would never resort to that method again. Their action in doing so is undoubtedly in part the result of the action of other banks in keeping up the bonus plan, and of the feeling that without it they might expect to lose some valuable employes to competitors, while on the other hand they would not be able to get away valuable employes from other banks notwithstanding that some such men would have been glad to leave their present place had there been what they supposed to be an equal assurance of bonus payment regarded by themselves as really a kind of "back salary" which they wish to collect by remaining in their old connections.

A Permanent Staff?

Undoubtedly a permanent staff is highly desirable for the well managed bank which works on long lines, and there has been no feature of American banking management on its personnel side which has been so regrettable as the constant ebb and flow of employes. The result of this rapid "turnover" has undoubtedly been the increase of the percentage of loss through dishonesty, since the greater the number of men passing through the bank, the greater the number of those who, with a given percentage of dishonesty might be expected to "go wrong."

The English banks have been far more stable in their conditions of employment, and this has given them, particularly in the foreign field, a great advantage over Americans. The bonus system, as they employ it, consists of a cumulative fund which is not paid until the termination of the employe's service with the bank, and in most cases is not paid at all if he goes into the employment of another bank. It is a sort of retiring allowance which grows larger, proportionately speaking, as the man's length of service increases, with the result that, after a stated term of service in the employ of the bank, the employe is eligible for retirement and is then permitted to draw his bonus either in a lump sum or (according to a slightly different system) as an annuity.

What the English System Is

This form of the bonus payment is a kind of retirement plan or system of saving, and is entirely different in its effect on the personnel from the annual and uncertain bonuses which our banks have lately adopted.

Undoubtedly the thought of the most capable banking authorities in the United States today is tending toward the English system or some modification of it.

SHIPPING INDUSTRY TURNS THE CORNER

(Continued from page 601)

marines under government contract, postwar earnings have been derived from other lines of activity. The company is now engaged in the operation of freighters, barges, and a railway line seventeen miles long connecting various railroads with Port Newark Terminal on Newark Bay. Subsidiary companies are building torpedo boats, Deisel engines, motor boats, and electric motors.

Earnings for 1922 were equivalent to $2.30 a share on the capital stock and net for the past year is estimated to have totaled approximately the same amount. Profits were made from practically all divisions of the business, including the building of motor-boats, operation of 30 barges on the New York State Barge Canal, and the operation of 26 ships in the coastal and intercoastal service. Results from the current year's operations will be favorably affected by a change for the better in the shipping situation. The most favorable development as regards the company is the proposal before Congress to eliminate the 10% tax imposed on purchasers of motor-boats. Should this be removed, and there is a good possibility that it will, the sale of motor-boats would be stimulated with consequent benefit to Submarine Boat Corporation.

The capital stock would be fairly attractive at a market price of 11, were it not for a relatively poor financial condition. As of December 31st, 1922, the company had no working capital whatsoever, after exclusion of vessels owned from the sum total of current assets. **Earnings for 1923 have no doubt provided net working capital of about 1.5 millions, but even this amount is insufficient to warrant the resumption of dividends.**

AMERICAN INTERNATIONAL

Will the Company Distribute Its Assets?

American International Corporation was organized in 1915 to acquire securities and participate in the affairs of foreign and domestic corporations doing an international business. In the first four years, its operations were fairly profitable, but subsequent earnings have been disappointing.

Last available statement of security holdings showed investments in other companies carried on the books at a total value of 27.4 million dollars, approximately 5.8 millions representing unlisted securities. The company owned the following listed stocks:

78,000	shares	Int. Mer Marine Preferred.
105,000	"	Int. Mer. Marine Common.
92,794	"	Pacific Mail Steamship Co.
77,944	"	N. Y. Shipbuilding Co.
11,250	"	U. S. Rubber Co. Common.
89,744	"	Simms Petroleum Co.

These holdings have a present market value of approximately 5.7 million dollars, compared with an original cost price of 21.4 millions. This decline is typical of the disastrous results of American International's recent operations. Its venture into foreign fields have proven equally discouraging. Dividends have been passed on practically all its investment holdings and income from this source during the past year amounted to less than 50 cents a share on the common stock.

Some time ago the company acquired several proprietary companies engaged in the importing and exporting business, and the sale of three of these during the past few months has led to the belief that a favorable opportunity is being awaited to liquidate affairs and distribute assets. As earnings were practically nil for the past year and no real recovery in earning power is to be expected, there would be no object in buying this security, unless perhaps in anticipation of a possible profit in the event of dissolution. While the stock has an asset value double the present market price of 23, a considerable part of this equity might be lost in the process of sale. **The stock, therefore, is in the doubtful class.**

UNITED FRUIT COMPANY

Another Stock Distribution Likely

United Fruit holds a rather unique position among the more prominent industrials in that it has neither bonds, notes, preferred stock or floating debt ahead of its 1 million shares of common. While it is generally classified in the shipping group, only a minor portion of revenue is derived from shipping operations. Main sources of income are fruit and sugar, with bananas representing fully 90% of fruit production. Its steamships, of which there are more than 50, are known as the "Great White Fleet." They are being used in the transportation of the company's products as well as for the accommodation of tourist travel to tropical points.

Other properties include 1.5 million acres of land in Central America, Cuba, and Jamaica, and 45,000 head of cattle. Railway and tramway systems cover 1,800 miles and are equipped with 5,891 cars and 178 locomotives. Book value of fixed assets is placed at 125 million dollars.

The company has always been a remarkable earner, its assets having increased approximately twelve fold in the past twenty-four years, and almost entirely from profits. Last year's net totaled 23 millions or $23 a share. Better conditions in the shipping industry will probably increase earnings, but to no great extent, due to the relative unimportance of this phase of the business.

From an investment standpoint the capital stock has long been one of the most attractive listed on the New York Stock Exchange, as it has never failed to show enhancement in value over a period of time. Possibilities of a stock distribution during the current year are good as the company now has net work-

ing capital and surplus as large as in 1920, when a 100% stock dividend was declared. The present dividend rate is $10 per share annually, and at the present price of 200, the yield is 5.0%. **The stock has recently had a very rapid advance and is no longer attractive from the viewpoint of profit-making.**

WHAT THE BOND MAN TOLD THE BANKER

(*Continued from page* 680)

can sell a lot of them, are you sure of getting all that you want?"

"I wish we were," Stafford came back. "Taking it by and large we get pretty good treatment. We're a fairly well-known house, have been in business a good many years; the big originators of bonds know that we have a pretty fair distribution to real investors. Others, however, are by no means in so fortunate a position. Some of these younger houses —why, I don't see how they get along. They may get on the syndicate list and be handed a few bonds, but how in a really good issue they can get anything like what they could put away, I can't for the life of me see. I guess the truth of the matter is that they don't—that they have to be satisfied with what they are given and be glad to get that.

"That, of course," he went on, "applies to the fast-moving issues, the good ones. The slow movers—there's no trouble about getting all of those that you want."

"I should judge that that was the case," the banker dryly said, "from the character of the offerings on some of the lists that come to our bank. Well, Mr. Stafford," he went on, "here's something else that I want to ask you: As I understand it when you, as a member of a syndicate, sell bonds you're responsible during the life of the syndicate for those bonds staying put—that is to say, as I understand it, if those bonds are resold in the open market during the life of the syndicate and are rebought by the syndicate managers, they can be handed back to you. Isn't that a rather uncertain position you put yourselves in when you undertake to sell syndicate bonds? How can you tell whether or not they are going to stay placed?"

"We can't tell absolutely whether or not they are going to stay placed," the bond man answered; "and, of course, bonds may at any time be resold by our clients without our even knowing it. That, however, doesn't happen to any very great extent, at least not if your bonds have been properly sold. Of course, if you have put them in the hands of a lot of people who are just buying them as a speculation to make a turn of a couple of points, a lot of them are bound to come back on you. If, on the other hand, your clients are real investors and are really sold on the bonds they buy, the proportion that will be resold during the life of the syndicate is very small indeed."

"This business of placing bonds so that they will stay put," the bond man went on, "is, of course, the reason why the big originators have to be so exceedingly

(*Please turn to page* 643)

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date*

American Arch (5P)	83 — 86
American Book Co. (6)....x	89 — ..
American Cyanamid (4P)	82 — 86
Pfd. (6)	72 — 75
American Thread pfd. (5%)	3⅞— 4¼
Amer. Type Founders (7)	98 —101
Pfd. (7)	98 —101
Atlas Portland Cement (4)	84 — 90
Babcock & Wilcox (7)	117 —121
Borden Co. (8)	125 —127
Pfd. (6)	102 —104
Bucyrus Co.	56 —100
Pfd. (7A)	102 —107
Celluloid Co. (6)	74 — 79
Congoleum Co. pfd. (7)	101 —103
Crocker Wheeler (1¾)	24 — 30
Pfd. (7)....x	75 — 83
Curtiss Aero & M.	13 — 14
Pfd.	38 — 43
Eisemann Mag. pfd. (7)	53 — ..
Franklin Rwy. S. new w. i.	90 — ..
Jos. Dixon Crucible (8)	135 —140
Ingersoll Rand (8P)	170 —175
Johns-Manville, Inc. (3P)	89 — 94
McCall Corp'n	53 — 56
Pfd. (7B)	115 —120
New Jersey Zinc (8P)	148 —152
Niles-Bement-Pond	40 — 43
Pfd. (6)	75 — 85
Phelps-Dodge Corp'n (4)	134 —138
Poole Engineer'g (Maryland):	
Class A	21½— 23½
Class B	12½— 15
Richmond Radiator Co.	7 — 10
Pfd.	70 — 75
Royal Baking Powder (8)	130 —135
Pfd. (6)	99 —101
Safety Car H. & L. (7)	93 — 95
Savannah Sugar (6)	61 — 64
Pfd. (7)	80 — 83
Singer Mfg. Co. (7)	144 —146
Superheater Co. (K)	118 —121
Technicolor, Inc.	10¾— 11½
Thompson-Starrett (4)	58 — 65
Victor Talking Mach. (8)	148 —153
White Rock....K	10 — 10⅝
2nd Pfd. (5)	55 — 60
1st Pfd. (7)	80 — 85
Yale & Towne (4P)	69 — 71

* Dividend rates in dollars per share designated in parentheses.

P—Plus Extras.

A—Arrears of 9% being discharged at regular intervals.

B—Arrears of 27¼% being discharged at rate of 7% annually in addition to regular dividend rate.

x—Ex-Dividend.

K—Dividend rate on this stock not established.

THE Over-the-Counter market was fairly active and strong in spots during the fortnight just ended. An interesting sidelight on the current trend was the improved demand for the preferred shares of most of the stronger companies, exampled by a 4½-point rise in the 7% preferred stock of the Congoleum Co. and similar improvements in other such issues—Royal Baking Powder 6% preferred, McCall 7% preferred, etc. This drift toward the preferred issues is wholly in keeping with the investment character of the greater part of Over-the-Counter activity, and seems fully justified by the earning power and margin of safety enjoyed by so many of the preferred issues dealt in here.

Singer Manufacturing Strong

An outstanding feature of the market was a rise in Singer Manufacturing shares, of which relatively large quantities changed hands at as high as 147. This price compares with a level around 120 at which the issue was originally recommended here, and with a price of below 100 at which the stock was selling no great number of months ago.

There is a total lack of official information relative to the operations of the Singer Co., reflecting the established policy of the management to refrain from public statements. On the other hand, Over-the-Counter circles, which have been favorably disposed toward Singer shares throughout the current upswing, are convinced that developments of interest to stockholders are in the offing, and this view would seem strengthened by the action of the stock. Probably the soundest explanation of the demand for Singer is the likelihood of favorable action on the stock dividend of 33⅓% which was authorized some time ago, postponed indefinitely and still awaiting declaration.

Low-Priced Issues Strong

Two of the lower-priced issues quoted in our table were in active demand, viz., Eisemann Magneto preferred and Technicolor Corporation common.

Eisemann had previously gone through a sudden, sharp advance, as readers of this department are aware—moving up from below 40 to above 50, almost overnight, following publication here of a description of the company. The advance was well sustained during the past fortnight, and Eisemann preferred is quoted at this writing 53 bid, with no immediate offerings.

Eisemann's revivified earning power was covered here in the January 8th issue. As a further sidelight on the company's position, the Department is now able to present a balance sheet, showing the financial condition of the company as of June 30th, last. This appears elsewhere among these pages. The statement shows Cash \$53,000, Receivables \$275,000, and Merchandise \$1,600,000, against Accounts and Accruals of only \$214,000—in other words, surplus Current Assets of some \$1,700,-

EISEMANN MAGNETO CORPORATION

STATEMENT OF CONDITION AS OF JUNE 30, 1923

RESOURCES	
Cash	$53,235
Accounts & notes receivable	274,836
Merchandise	1,601,159
Investments	7,227
Real estate, machinery & equipmt.	1,008,882
Patents & good will	500,100
Deferred charges	147,381
	$3,592,819

LIABILITIES		
Notes payable		None
Accts. payable to accrued wages		$214,359
Reserves for:		
Taxes	$162,184	
Depreciation	242,367	
Doubtful accounts	20,326	
Acc. ins.	38	
		424,015
Capital stock:		
Preferred	$1,500,000	
Common (orig. book value)	2,920,126	
		2,920,126
Surplus		33,540
		$3,592,819

000. Evidently, the company is in a sound financial position.

The demand for shares of the Technicolor Corporation caused a rise to the quotations shown. A large part of the buying is attributable to confidence in the directorate of the company, which includes A. W. Erickson, William H. Childs, N. T. Pulsifer, Wm. Travers Jerome, James C. Colgate, Herbert T. Kalmus, and others. As is known, the company is engaged in the manufacture of natural-tint motion-picture films.

Another low-priced stock movement arousing considerable interest was that in the common shares of the Woodward Iron Co. In connection with this advance, the following correspondence between this Department and a reader may be of interest:

Q.—Can you tell me what has caused the sudden jump within the last week of twenty points in Woodward Iron Co. common stock? I purchased an odd lot at about 45 and my broker called me up today and quoted it 64 bid, 68 asked. You might answer through your unlisted security page which I follow in your magazine.—R. M., New York City.

A—To the best of our information, the recent advance in Woodward Iron (which sold from 42 up to as high as 68) was due to aggressive buying by a financial group.

Just how this stock should have been in such great demand by the interests referred to is somewhat doubtful. Very recently, Mr. A. H. Woodward, Chairman of the Board of the Woodward Iron Co., issued a statement of a very pessimistic nature saying, among other things, that the iron business is in a weaker condition than that obtaining during the greater part of 1923, that prices have suffered substantial reductions and that the outlook is for decreased earnings by the company. Mr. Woodward also said there were no plans under contemplation which would have any effect on the market value of the common stock. Control of the company, he notes, has been in the same hands for over 40 years.

In opposition to Mr. Woodward's statement, reports are being circulated that this corporation is securing very large earnings. In fact, in some quarters it is said to be earning close to $14 a share on the present common stock. Furthermore, the character of the buying in the issue, as stated above, has been styled as "very good."

Since this stock reached its high point of 68, it has suffered a considerable reaction, and at the present writing it is quoted offered at 60 with no bid. Altogether, we are inclined to consider it a highly speculative security, and we would hesitate to advise its purchase except by those in a position to assume the risks involved.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Ann. Rate		Am't Declared		Stock Record	Payable
$4	Allied Chem & D c	$1.00	Q	1-15	2- 1
$4	Allis-Chal Mfg com	$1.00	Q	1-24	2-15
$8	Amal Sugar 1st pfd	$2.00	Q	1-17	2- 1
6%	Amer Cigar com...	1½%	Q	1-15	2- 1
$8	Amer Glue pfd.....	$2.00	Q	1-18	2- 1
$4	Amer Radiator com	$1.00	Q	3-15	3-31
7%	Amer Radiator pfd.	1¾%	Q	2- 1	2-15
$7	Am WW&El 1st pf.	1¾%	Q	2- 1	2-15
$4	Am WW&El par pf.	1%	Q	2- 1	2-15
$4	Cerro de Pasco Min	$1.00	Q	1-17	2- 1
$2.50	Chile Copper......	62½c	Q	3- 1	3-29
$7	Clinchf'd C Corp pf.	$1.75	Q	1-25	2- 1
$4	Columbian Carbon.	$1.00	Q	1-21	2- 1
$6	Consolidation Coal..	$1.50	Q	1-15	1-31
6%	Consumers P 6% pf	1½%	Q	3-15	4- 1
7%	Consumers P 7% pf	1¾%	Q	3-15	4- 1
$7	Cosden Co. pfd.....	$1.75	Q	2-15	3- 1
6%	Detroit United Ry..	1½%	Q	2- 1	3- 1
$10	Fajardo Sugar......	$2.50	Q	1-15	2- 1
$8	F Players-Lasky pfd	$2.00	Q	1-15	2- 1
$8	Gen Cigar com.....	$2.00	Q	1-23	2- 1
$7	Gen Cigar pfd.....	$1.75	Q	2-23	3- 1
$7	Gen Cigar deb pfd..	$1.75	Q	3-24	4- 1
$8	Gt Western S com.	$2.00	Q	3-15	4- 2
$7	Gt Western S pfd.	$1.75	Q	3-15	4- 2
12%	Hollinger Gold Mine	1%	mo	1-10	1-28
$6	Homestake Mining..	50c	mo	1-19	1-25
5%	Hudson & Manh pfd	2½%	SA	2- 1	2-15
$8	Indiana Pipe Line..	$2.00	Q	1-18	2-15
$6	Intl Nickle pfd....	$1.50	Q	1-17	2- 1
—	Lord & Taylor 2d pf	16%	Accum	1-21	2- 1
8%	Lord & Taylor 2d pf	2%	Q	1-21	2- 1
7%	Macy R H & Co pf	1¾%	Q	1-12	2- 1
$3	Martin-Parry	75c	Q	2-15	3- 1
$3	Moon Motor Car...	75c	Q	1-15	2- 1
$3	Natl Biscuit com....	75c	Q	3-31	4-15
7%	Natl Biscuit pfd....	1¾%	Q	2-14	2-29
7%	Natl Tea pfd.......	1¾%	Q	....	2- 1
$4	Norfolk & W pfd..	$1.00	Q	1-31	2-19
$6	Pacific G & El pfd.	$1.50	Q	1-31	2-15
$6	Pacific Mills.......	$1.50	Q	1-23	2- 1
$7	Pacific Pr & Lt pfd	$1.75	Q	1-18	2- 1
7%	Phillips Jones pfd..	1¾%	Q	1-19	2- 1
$4	Pittsburgh Coal c..	$1.00	Q	1-10	1-25
$6	Pittsburgh Coal pf..	$1.50	Q	1-10	1-25
$5	Pittsburgh & L Erie	$2.50	SA	1-11	2- 1
8%	Pittsburgh P Glass.	$2.00	Q	3- 7	4- 1
7%	Pittsburgh Steel pfd	1¾%	Q	2-15	3- 1
$4	Postum Cereal com.	$1.00	Q	1-20	2- 1
$8	Postum Cereal pfd..	$2.00	Q	1-20	2- 1
$8	Pullman Co........	$2.00	Q	1-31	2-15
6%	Ouaker Oats pfd...	1½%	Q	2- 1	2-20
8%	Reading Co. com...	2%	Q	1-22	2-14
4%	Reading Co 1st pfd	1%	Q	1-21	3-13
7%	Republic I & Stl pfd	1¾%	Q	3- 1	4- 1
—	Republic I & Stl pfd	1%	Accum	3- 1	4- 1
$2	Reynolds Spring c.	50c	Q	1-15	2- 1
$8	Schulte Ret Sts com	$2.00	Q	2-15	3- 1
$2	Sinclair Cons Oil c.	50c	Q	2- 1	2-29
$8	Sinclair Cons Oil pf	$2.00	Q	2- 1	2-15
$12	United Cigar Sts c.	$3.00	Q	1-16	2- 1
$10	United Fruit	$2.50	Q	3- 6	4- 1
5%	United Lt & Rys c.	1¼%	Q	1- 5	2- 1
—	United Lt & Rys c.	¼%	Ext	1- 5	2- 1
7%	Universal P & R pf	1¾%	Q	1-15	3- 1
2%	U S Realty com....	2%	Q	2-28	3-15
7%	U S Realty pfd....	1¾%	Q	2-28	3- 1

A BUDGET PLAN THAT WILL HELP YOU IN YOUR JOURNEY TOWARD FINANCIAL INDEPENDENCE

(*Continued from page 607*)

expenditure in the division or divisions of expenditures on the Chart that it actually was spent in. If the said divisions have not been exceeded, of course you have not over-spent. Possibly, because of under-expenditure in other divisions, the total estimations of all expenditures for the year will not be exceeded.

4—*The Payables Account*

Mon.	Day	No.	To Be Paid Back to	Partial Payments	Paid	Amount
Jan.	25	1	C. D. Smith..		Jan. 31	$100.00
....	..	2	....		......	.....
....	..	3	....		......	.....

THIS account is the exact opposite of the Receivables Account. It represents money to be eventually repaid out of your bank account, and into which it now goes for some special purpose, or out of which it is now being repaid.

Hence, the purpose of this account is to take care of any entry in the Daily Account which represents a receipt not "come for good" or the repayment of such a receipt received at some previous time. Thus, Smith loans you $100 on January 25, and you repay him on January 31. See the entries in the Daily Account and in this one.

Any interest would, of course, be entered in division No. 9 of expenditures.

"*A Fair Test Will Convince*"

A fair test of this system will convince the reader that only one really difficult and exacting detail exists in it. That is the necessity of reasonably classifying the expenditures according to the divisions you make on the chart for the year.

It is, of course, an easy matter where you issue a check—to an Insurance Company, for instance—in payment of a premium. Clearly, division No. 3 (Insurance) is the only one necessary to be noted in the "Explanations" column of the Daily Account.

But there are car fares, hair-cuts, luncheons and innumerable small expenditures for which I appreciate no single check can be drawn directly. Nor would it be a very popular system that sought to hold Mr. Average Man (and especially Mrs. Average Wife) to a strict accountability of such expenses. Such a personal budget—system of accounts, or whatever you may choose to call it—generally ends in a hopeless muddle within a short time, or else is given up because of the detailed work involved.

In my illustration of the Receivables Account, I have explained the use of the check drawn payable to yourself when you positively find it impracticable to pay by check direct. In the "Explanations" column of the Daily Account where you note the check, enter such abbreviations of the expenditure divisions and such proportions of the total amount of the check opposite each abbreviation as you honestly feel is right and just. You are the judge—in a court where there can be no appeal.

I do not advise trying to classify below a dollar. Charge up two dollars on one of these checks once a month to No. 12 (Toilet), if it is customary for you to go to your barber twice a month. Do not charge it up just because you feel it a just estimate, and you only go once a month as a rule. When you have bought a dozen new collars, charge up three dollars to clothing. It may be a little more —or a little less—but no matter, the average for the year will be reasonable, if you will only be honest with yourself.

I have said to honestly try to keep track of both receipts and expenditures to a reasonable extent. I am neither trying to dodge Income Taxes nor belittle the science of Accounting. I merely contend that to try to figure to the penny in this budget—or any other—is absurd.

Be fair and honest with your budget, and you will find that it will become an interesting part of your daily life, relieving you slowly but efficiently as you advance in years from financial dependency and worry. But—it must be kept alive—active—moving—only the system need be a fixture.

Budge your budget each year at least one step higher in the standard which you set for yourself in receipts and expenditures—and your savings will then automatically set their own standard.

Statistics reveal the fact that out of every 100 persons who are now 25 years of age, 54 will be living, but dependent upon either relatives, friends or charity when they are 65 years of age.

The only sure way that I know of in which such an unnecessary, unfortunate and humiliating experience can be avoided is to begin early in life to save efficiently —and then efficiently save the savings.

Why not start today?

WHAT THE BOND MAN TOLD THE BANKER

(*Continued from page* 639)

careful as to what distributors they put on their list. New and weak houses without an established clientele, naturally, are liable to sell their bonds in such ways and in such places that a considerable proportion of them filter back into the market during the life of the syndicate. Let that happen to any considerable extent with any one distributor, and he will soon enough find himself off the syndicate list. That's the way it ought to be."

"As I understand it, then," the banker said, "the syndicate—that is to say the originating house—makes a market for the bonds during the life of the syndicate. What happens when the syndicate closes? Isn't it usually the case that when the syndicate closes and its bid is withdrawn, the price of the bonds goes down?"

"By no means," the bond man replied, "by no means. It happens and it doesn't happen. It all depends upon the kind of a market you are in. During a good part of last year, it is true, bonds generally went off somewhat after the syndicate was closed. That was the kind of a market we were in. All through the year before that, however—in '22—it was a very different proposition. Where a bond was any good it was often a case of its being considerably *up* in price before the syndicate came to an end."

"There's one other thing I'd like to ask you," the banker began again. "Don't some of the big originators handle the markets in their bonds better than others? Isn't it the case that you distributors have your favorites among the people from whom you draw your bonds?"

Stafford laughed. "If we have," he said, "It's because we have found that from some of them we get consistently better treatment than from others. Also that there are certain ones who can be relied upon to make the best sort of a market in any issue they syndicate. Naturally the originator who has the reputation of treating his distributors fairly and of always doing everything possible to maintain good close markets, is the one that the distributing houses like to play ball with. Incidentally—those are the people on whose lists it is hardest to get."

"I suppose," Carlton said ruminatively, "that you make money on all this distributing of syndicate bonds we have been talking about or you wouldn't keep at it; but I sometimes wonder how, after you have paid all your expenses, your salesmen's commissions and everything else, there is anything left in it for you. Then, too, it stands to reason that every once in a while you are bound to get hooked; I mean hung up with syndicate bonds that you can't sell, and which later depreciate in price. Have you ever actually figured out how you make out on balance on all business of this sort?"

"Of course, we have figured it out," the bond man came back. "Do you think we would do this sort of thing year in and year out without knowing whether or not

(*Please turn to page* 646)

HAS THE "ZERO HOUR" STRUCK FOR THE RAIL ADVANCE?
(*Continued from page* 573)

One excellent reason for this view is found in the fact that the theory of consolidation is fully accepted as being logical and inevitable. There is no secret about that. But the extent to which consolidation may be carried out is not generally appreciated.

Results of Consolidation

At the present time there are approximately 200 railroads operating independently in this country. It would not surprise the writer to see all these roads gather into fifteen or twenty great systems in the next decade, or perhaps in even a shorter time. Such an eventuality would be both efficient and economical. With a few great systems co-ordinating under Federal control, and freed from the multifarious vexations of the various regulatory State bodies, the transportation of the country would be on a sounder basis than ever before in its history. For it would benefit from the advantages of private operation and ownership, plus the advantages of central control. It would benefit the shipper, the passenger, the employee and the investor in railroad securities. It would tend to stabilize railroad rates and fares as well as wages, and would restore shattered railroad credit.

The foregoing is not a dream, nor is it the result of an over-stimulated imagination. Events are now maturing which give excellent ground for the belief that some such plan will eventually be worked out. Whether the railroad problem will be solved in exactly that fashion is, of course, a matter of speculation, but a speculation that is far from being a chimera. That many consolidations in some form or another are now plainly indicated is a matter of no speculation. It is about as certain as anything can reasonably be expected to be.

Importance to Weaker Roads

That consolidation such as indicated would be of the greatest advantage to the smaller roads, or those which, owing to location, insufficient capital or poor credit, operate at a disadvantage in contrast with their stronger rivals. Consolidation would mean that the strong would help the weak.

The much-discussed "recapture clause" of the Transportation Act is a straw which indicates how the wind is pointing. Under its terms all roads will contribute one-half of their earnings above 6% on their invested capital, to a revolving fund. Any railroad not earning 6% on its capital may borrow money from the revolving fund at 6% interest. Obviously this is not a bullish argument for the stronger roads, since it impounds one-half of their earnings above 6%. One economist whose remarks are often quoted in the public prints, can see no advantage in this for the weaker roads. One of the arguments he advances is that such borrowings places additional charges ahead of the common stocks of the weaker roads. Such a statement warrants the conclusion that the economist must be suffering from a mental strabismus. If such common stocks cannot be made more valuable with a transfusion of additional capital they certainly *cannot become more valuable without.*

The natural corollary of the recapture clause is for the stronger roads to *take over the weak, bag and baggage.* That is the handwriting on the wall.

What the Market Says

After all is said and done, the old Wall Street axiom, "the tape tells the story," is as true now as it was when first uttered years ago. And the railroad tape has been telling a significant story since the middle of 1922. In the long decline which began in 1909 the big interests passed over their speculative railroad holdings to the public. The action of the tape and other unmistakable indications point to the fact that there has been a large accumulation of rails, principally in low-priced issues, by the same large interests who sold out ten years or more ago.

In other words, the "big people" having got out of their railroad holdings fifty or a hundred points higher, are now buying them back against the new era for the rails which they foresee. And by "big people" we do not mean the average market speculator or even the big trading "operator," although they, of course, figure in the picture to some extent. We mean the big banking interests and big capitalists who buy for very large profits, and who will stick to their holdings for a year, two years, or even longer, until they are convinced that the selling time has arrived; in short, the long-pull investors of large financial resources.

A Different New Era

If the rails are entering upon a new era, as all signs portend, it is apparent that this era will be different from the last great railroad era. The element of speculation will, of course, be present, as it is an inevitable concomitant to the important developments which are in the offing. But one should not look for the extreme price advances which characterized railroad stocks during the Harriman régime. Nor is it likely that the rails will break wholly away from the general trend of the market. They will have both their downs and their ups.

On the other hand, the prospects of stabilization of earnings and traffic conditions throughout the country should have a very beneficial effect upon railroad security prices, speaking generally. From now on we expect to see the rails play a more important rôle in the market than they have for years past.

WHAT THE BOND MAN TOLD THE BANKER

(Continued from page 643)

we were making money on it? Heavy expenses, of course, have to come out of our syndicate profits and we get bumped every once in a while with bonds that we can't sell and that later go down in price. But all that is simply part of the game. What determines whether or not you make money out of it is exactly what determines whether or not you make money out of anything else. If you know what you're doing, you make; if you don't, you lose."

"You have told me some mighty interesting things about originators and distributors of bonds," the old banker said, "but you haven't said anything so far about the brokers, the firms that don't sell bonds of their own but simply do business on commission. Where do they come in?"

"Just where the broker in any other line comes in," Stafford answered. "In the bond business, as in the insurance business or anywhere else, brokers are important and necessary and render a mighty useful service. As I said at the very beginning, we distributors practically all have highly developed trading departments which do a lot of business that the brokers used to do; but even so there is lots of business for the good live brokerage organizations which handle no bonds of their own but which buy and sell bonds purely on a commission basis. Some of these people are big, very big; there are brokerage firms which have as many as two or three dozen private wires running out all over the country. Naturally the service which such a firm is able to render to the client who wants to buy or sell some particular bond is very great. We distributors as well as you banks use these brokers all the time. They are the cement that binds the entire bond structure together."

The train rumbled into the Union Station. The two men got up and shook hands. "Goodbye, Mr. Stafford," the old banker said as they walked out. "I've enjoyed meeting you and you sure have given me some mighty interesting information. If more of us in the banks knew more about you bond fellows with whom we do so much business, i would be better for us all around."

"In which sentiment I heartily concur," the bond man said.

WHAT LIBERALISM MEANS TO YOU IN DOLLARS AND CENTS

(Continued from page 575)

to master our fate. I have in mind one fundamental thing, and that is the demoralization of our courts. The Supreme Court has destroyed all our anti-trust legislation. I am in favor of restricting the ease with which it can reverse the laws of Congress, though at the same time I recognize that a constitutional government must have some body empowered to decide whether its acts are constitutional. Most of the trouble, however, starts with the federal district courts. They ought to be made elective, and also the circuit courts. That wouldn't necessarily put them into politics. Where are they now if they are not in politics, by appointment? The courts must be brought close to the people.

"We liberals are for continuing throughout our common life that steady evolution toward democracy which has gradually changed the political form of the government that Alexander Hamilton gave us. If it is blocked we shall eventually be forced into revolution both political and industrial."

"Why don't you form a liberal party, then, instead of traveling in the Republican and Democratic columns?" I asked.

"That's what ought to be done, but our people are so conservative as to forms that as yet we must seek votes as Democratic liberals or Republican liberals. But eventually we shall have a new liberal party unless one of the old parties surrenders. I recognize that there is a place in our politics for conservatives, but we ought to have them all in one camp. The rise of the labor party in England is the most significant thing in the world today. Maybe we shall have something like it here—but perhaps with a prettier name. That depends."

SCHOOL FOR TRADERS & INVESTORS

(Continued from page 590)

everything on the list that looks attractive, and thus spread out your margin in a thin layer over numerous stocks which may be subject to a variety of individual influences, on the theory that you are thus distributing your risk. The distribution of risk is all very well, but it must not be accomplished at the expense of the general marginal position. Furthermore, in the face of a general reaction, while all issues may travel in the same general direction, they do not all go the same distance, or with the same speed. Under such conditions it is difficult to discriminate among a list of stocks, especially when it must be done on the spur of the moment, and it is often the case that the only safe action in the emergency is to immediately take a neutral position on the whole list. Thus, perfectly safe positions may be relinquished along with those that are risky, and if the subsequent rally is fast, some good stocks may be difficult to recover without needless loss of profits which should have been retained. In other words, don't have too many irons in the fire, for you may not be able to give them the careful attention they require at the psychological moment.

The second greatest curse of the average trader is impatience. He may discover a very attractive issue, and secure an advantageous position, only to find that his favorite is standing still while numerous other stocks are active. In spite of the fact that his choice was made after a careful study of its individual qualifications, and because he was convinced that it was technically prepared to move a greater number of points than most of

the other stocks from which it was selected, he is decoyed away from it by the inviting flurries elsewhere. After carefully laying his plans, he lacks the necessary patience to let them develop. Impatience at the wrong time has caused many a trader to switch from an apparent "sleeper" into what he considers a "live one," only to find that he has lost an ideal position just before the estimated move gets under way. The moral is: Don't be impatient when you have a perfectly sound position on a stock that is almost certain to have its turn.

Impatience sometimes takes another form, and that is when the trader has the uncontrollable impulse to be doing something every minute, even when the market trend is in doubt and all orthodox traders should hold a neutral position, and leave the stage to the gamblers and suckers. Don't feel that you simply must be in the market all the time, but get out occasionally so as to regain your perspective and an unprejudiced view of the situation, especially when the trend is not clear.

IS THE INDUSTRIAL CENTRE SHIFTING TO THE WEST?

(*Continued from page* 589)

an economic geography to chart his dealings. And as yet there is none. The newly created Division of Domestic Commerce, of the Department of Commerce (with Irving Paull temporarily commandeered to direct it), is engaged in the stupendous undertaking of making a survey of domestic commerce, which will be the first comprehensive step toward the drafting of such a chart. When the survey is promulgated and digested, it will doubtless have a profound influence on the acceleration of re-location of existing industries and on the determination of location of new ones.

The general, informed and judicious reallocation of industry will spell advantage to some industrial regions and disadvantage to others. It will check some cities and stimulate others. The business agencies that seize the new and better way by the forelock will profit. Those that do not will stagnate or decline, for the rule-of-thumb cannot compete with scientific knowledge; and a guess is a poor substitute for a fact.

HOW WILL COOPERATIVE MARKETING AFFECT THE COTTON MILL OWNER?

(*Continued from page* 620)

the grades and qualities that are demanded, and to assure the mill that it is receiving as good treatment as it could obtain through purchasing in any other direction.

So far as the mill is concerned, then, the effect of the marketing methods now in vogue is likely to be chiefly that of shifting the burden of financing from the shoulders of the mill owner and operator to those of the cooperative farmer and of his bank, the intermediate broker being gradually eliminated or reduced in

importance. In order to avoid the necessity of hedging and protecting himself through the Cotton Exchange, the miller would have to consent to the making of contracts with the cooperative association early in the season at a figure sufficient to convince the association that there was nothing to be made through the process of holding. At the present time, and with the general belief on the part of producers that cotton is due for an almost unlimited advance, there would seem to be comparatively little to be expected in that direction.

Well chosen operations in futures, with purchases of spot cotton distributed regularly through the year as prices seem to favor and circumstances permit, is likely to be the immediate policy of the miller, the new method of marketing, therefore, being primarily financial instead of industrial in its influence.

HOW TO PROVIDE AN ASSURED INCOME FOR YOUR OWN OLD AGE

(*Continued from page* 604)

tors in event that their years of life should extend beyond his own.

Deferred Annuities

The average man dependent on a modest income from business or professional career would work with freer mind and higher courage if assured that he could confidently look forward to a modest competence in his declining years. The single man or woman living alone, without near relatives, is apt to experience a shiver of apprehension in thoughtful moments when the vision of Old Age arises. In these days of high living costs it is sometimes difficult to save enough from a modest income to build up a fund to make sufficient provision for declining years when business activities must cease. Under almost any conditions the average Man On The Street finds it hard to kick himself into the saving habit unless he maps out a system of regular deposits at stated times. The years of physical vigor can usually be assumed to take care of themselves, but it is the years of old age when earning power is practically nil that grip the imagination of the thoughtful wage earner of today.

The Deferred Annuity answers this problem because it assures at a *very modest annual cost* an old age annuity for life. Such Annuities may be deferred until age 50, 55, 60, 65, or 70, as the purchaser may desire, and the contract may be issued without return of premium in case of the purchaser's death before the annuity becomes payable, or with return to his estate of all premiums paid, in event of death before the pension age. The following rates are illustrative:

Such annuities may also be paid for in a single sum, or on the limited payment plan in which case the more productive years of the purchaser can be utilized to accumulate a fund in payment of the cost of the Deferred Annuity.

No medical examination is required in applying for the Deferred Annuity.

HOW THE MAGAZINE OF WALL STREET SERVES MEN AND WOMEN OF AVERAGE MEANS

(*Continued from page* 608)

"If you will wait a moment, I will show you just how little groping we have to do."

He rises from his seat and leaves the conference room. There is a moment of waiting. Then, finally, he returns. And he is carrying a great, cardboard folder, filled with letters.

"These letters," he proceeds, "have all been received in the last few days. They are from readers of the Magazine—in fact, they are from subscribers to it. They show just what features of The Magazine it is that the readers find most worth-while. They tell what the readers like most to see. They show how The Magazine is used—for, of course, it *is* used—being, above all, a service magazine.

"Now, if we will read all of these letters, carefully, we will know just how well-founded our own opinions are of what our readers want. In other words, we have a means of backing up our own judgment."

There are several vigorous expressions of approval. Then somebody suggests that the meeting be apprised of the contents of Letter No. 1.

"Letter Number One," proceeds the speaker, drawing the manuscript from the folder, "is from Mr. W. E. C., residing at 128th Street, New York City. He says:

> "About two years ago, at the death of a very dear friend of mine, and according to the decree of his will, I was appointed by the Surrogate, Executor and Trustee of his estate.
>
> "Up to that time, my means did not allow me to speculate or even invest to any extent.
>
> "After distributing the allotted amounts to the legatees, the remaining amount left in my trust had to be invested in legal securities such as a trustee should hold, which meant the disposing of some and re-investing of others.
>
> "After some inquiry, I decided that my education for such an undertaking could be best served by subscribing to THE MAGAZINE OF WALL STREET and for the past year or more I have not only been able to keep in touch with the present conditions in the financial world but also get a record of the past and possible future of the various industries, thereby securing a better opportunity to perform the duties entrusted to me.
>
> "Also being one of the legatees, I am now in a position to invest on my own personal account, and certainly have been benefitted by the advices given in the columns of THE MAGAZINE OF WALL STREET."

"For such persons as Mr. W. E. C.," says the speaker, placing the letter on one side, "the greatest appeal of The Maga-

zine, obviously, consists of its analytical articles, describing the merits or demerits of different securities.

"Of course, that nothing 'new' to us. The Magazine's practice of covering as many securities, from issue to issue, as circumstances—and the area of its pages—make possible, and its policy of presenting the facts concerning them in as plain, understandable English as its analysis are capable of writing has long been—well, the backbone of the publication. Investors—whether they have become investors by choice, as is most often the case, or whether they have become investors by force of circumstances, as in Mr. C.'s case—realize that The Magazine spares no effort in giving as trustworthy, helpful and honest co-operation as lies within its power. Obviously, we should redouble, rather than relax, our efforts in this direction."

The meeting manifests its approval. A request is entered for Letter No. 2.

"The writer of Letter No. 2," says the speaker, "authorizes us to quote him. He is Mr. P. H. Morgan, of 1148 Main Street, Buffalo, N. Y. He says:

> "I first subscribed to THE MAGAZINE OF WALL STREET because I wanted an understanding of the stock and bond markets. Most of the knowledge I have since acquired concerning investments I got from the pages of this publication—and your book department.
>
> "I find the Insurance Department of The Magazine very educational. I being an insurance man, I long ago realized this. In fact, I would advise every insurance man to become a reader of this Magazine. It will not only help him in soliciting life insurance but will also help him correctly diagnose individual cases.
>
> "As a reader of The Magazine, the insurance man would also have a good understanding of business conditions in general and thus be better able to win the confidence of the executive, lawyer, investor, trader, business man, etc.
>
> "In fact, I consider THE MAGAZINE OF WALL STREET a form of Investment Insurance as well as a means whereby an insurance man can increase his sales quota, and with more accuracy diagnose the individual case."

Following the reading of this letter, another man in the conference—one not heard from before—rises to his feet.

"I want to go on record, officially," he declares, "as endorsing Mr. Morgan's sentiments. I have had occasion to follow our Insurance Department very carefully. Also, I have observed its effect outside this office. I want to say that wherever I have gone, I have heard nothing but good things about it. For example, I can tell you of one insurance company—one of the five largest of its kind in the United States—which frequently reprints our Insurance Page in the educational bulletins it sends to its salesmen, and whose officers are enthusiastic over the work this department is doing. The best part about the Insurance Department is the inquiry feature attached to it, whereby *any* reader of The Magazine is enabled

to secure, from Mrs. Clarendon, her expert advice in solving his insurance problems. I *know* the Insurance Department is one of the most popular and useful features we offer."

Several emphatic "I agree's" and "No question about it," confirm the views given.

"We are not permitted to name the writer of Letter No. 3," resumes the speaker. "But his initials are 'J. H.' and he lives in Long Island City. In part, he says:

"Years ago, a friend loaned me a copy of THE MAGAZINE OF WALL STREET containing an article on Union Carbide Co., the concern I was then, and am at present, employed by. At that time, I had practically no knowledge, of, nor interest in, financial matters, and aside from ownership of some Carbide stock purchased direct from my employer, and of some local Building & Loan savings shares, was without experience in this field. Largely as a result of having subscribed to The Magazine at that time and of having read each number since, I have made a good start towards financial independence in practically the only way open to the average professional man, e. g., by saving and investing or 'specvesting' successfully. Not only has this been profitable, but the subject has proven to be extremely interesting, so that now no publication, technical or otherwise, is read with so much interest as The Magazine.

"Of course, the Magazine makes occasional mistakes—you would be the first to admit that—but I am satisfied from my own experience that it is sincere in its recommendations and is an invaluable aid to anyone who has, or hopes to have money to invest, whether in stocks or bonds, insurance or a home. It is a pleasure to acknowledge the valuable assistance obtained from your magazine and to wish you continued success."

"Although none of us has ever questioned the appeal of our Building Your Future Income Department," comments the speaker, with a sly glance at the editor of that department, sitting across the table, " there is a lot of satisfaction in having the appeal of the Department confirmed in a letter like this.

"When you stop to think of it, what other publication is there—honestly, now—which goes as far as this B. Y. F. I. Department toward introducing new investors to the ways of Wall Street, and helping them help themselves to the income-building possibilities that The Street contains? And how could the department give more *practical* advice than it now does?

"To show you just how the B. Y. F. I. Department helps, consider Letter Number Four—from Mr. Arthur R. Groeser, 6525 So. Union Ave., Chicago, Illinois. Says Mr. Groeser:

"I am very much pleased to commend the reading of THE MAGAZINE OF WALL STREET to any man or woman who works for wages, be they large or small, or to the business man who works for profits. Its many pages are replete with opportunities for the average person with an eye to business and with a small part of his earnings to invest.

"The home-building articles contained in the B. Y. F. I. pages have been of invaluable assistance to me in purchasing my home."

"That," resumes the speaker, "is what I mean when I say that the B. Y. F. I. Department is *practical*. People don't read it for entertainment or diversion. They don't read it out of a sense of duty. They read it because they find their own, personal problems discussed in its pages—such problems as how to finance a home, how to build up an income through investment of small sums, how to use Building & Loan associations in home-building and income-building—how to select the right insurance, and so on, and so on, and so on. The B. Y. F. I. Department is, undoubtedly, a distinctive feature of The Magazine.

"Of course," the speaker goes on, "not everyone has money to invest. Everybody has to make a start, at some time or other. There is always a beginning.

"It is a satisfaction, therefore, to note that The Magazine offers an appeal to beginners too—that is, to people who are not yet ready to actually begin investing, but who want to learn how. For example, consider this letter, from Mr. Frank H. Grebe, 721 North Ninth Street, Springfield, Illinois:

"I believe I am one of a class of subscribers who are far in the minority. I am not an investor. Financially, I cannot be an investor. However, I look forward to the time when I may increase my income by investments. To do this, I realize that one must have a somewhat thorough knowledge of the markets and its controlling factors. I know that intelligent investment comes only through real study. This is the reason I am a subscriber to your magazine. It is one of the cheapest and best correspondence courses in finance one could ever hope to gain."

The speaker laid the letter aside and then picked up another.

"Just one more letter, gentlemen," he said, "before we break up. The rest of them I will have passed around to you, individually, so that you may read them carefully, and in your own way. Of course, we haven't time to go over all of them here. But I want to read you just one more. It'll help you realize just how fully worth while our work is.

"This letter is from Mrs. J. N. Doll, of 133 Brunswick Boulevard, Buffalo, New York. Says Mrs. Doll:

"To me The Magazine is far more interesting than any other magazine of any sort whatsoever. I often devoutly wish that every man and woman in the United States could read and absorb the fundamental principals of investing as set forth therein. It would surely plant their feet firmly on the sound rock of financial independence."

"When people say things like that about an organization," concludes the speaker, "it's just about proof enough to convince *anybody* that the work that organization is doing is practical and well worth while. Of course, we had proof of this long ago. THE MAGAZINE OF WALL STREET has led

its field for a good many years past. Nevertheless, it's a satisfaction to hear the proof stated in somebody else's words —Mrs. Doll's, for example—especially when those words are as emphatic as hers happen to be.

"Incidentally, we don't need to be boastful about any of these letters. True, they are a measure of work well done; but in far greater degree they are an estimate of opportunities and responsibilities to be faced. They show what THE MAGAZINE OF WALL STREET has done in the past; it is up to us, now—with our readers' help—to show what it can do in the future."

Sounds of unanimous approval greeted these remarks; and thereupon the meeting was brought to a close.

BOLL WEEVILS OF FINANCE

(*Continued from page* 579)

"Well, I bought one million dollars of 3 per cent Liberty Bonds which are tax exempt, gave my wife five hundred thousand dollars worth of the same issue, divided another half million of Liberty 3's between my two children and put the rest of the money in gilt-edge railroad bonds yielding about 5 per cent." Asked why he had become so suddenly conservative he said: "I am going to keep my money in something that nobody can make a market in."

Where did his money come from? What economic service had this broker performed to entitle him to gather together two million dollars, or even two hundred dollars? Absolutely nothing. And who paid? In the first place, the backers and interests identified with the company; but actually the people who paid were the involuntary investors who were deluded into buying these stocks in the expectation that they would make a speculative profit—for it is safe to say that practically none of these stocks were bought by actual investors as investments.

Again, *how* is it done? Read once more the fourth paragraph with which this article opens. See one phase of the activities of the financial boll weevil, busily engaged in distributing stock that very likely is not worth the paper upon which it is printed and will be worth no more—nor any less—after our conjurer empties his bag of tricks.

Mr. Broker-without-a-customer ties himself up to a group with stock to sell. Sometimes it is promotion stock in a worthless company; again it is stock of a legitimate company owned by enthusiastic managing interests who are too close to the picture to realize that the actual value of their stock may be $15 a share instead of $75 or $100 a share.

It may easily be worth much more money to the inside interests in this latter case to have a market built up for their stock and the quoted value of their issue increased. Consider merely the personal position of one of the officers owning several thousand shares who may find it necessary or advisable to borrow funds from his bank. He could borrow much more on a stock quoted at $75 on a regular Exchange, than he could if the

DIVIDENDS

PACIFIC GAS AND ELECTRIC CO

38th CONSECUTIVE QUARTERLY DIVIDEND ON FIRST PREFERRED STOCK

THE REGULAR QUARTERLY DIVIDEND OF $1.50 per share upon the preferred capital stock of the company will be paid by check on February 15, 1924, to shareholders of record at close of business January 31, 1924.

The transfer books will not be closed.

Twelve Months to November 30, 1923

Gross earnings	$39,703,879
Net after taxes, etc.	16,558,422
Surplus for preferred stock after prior charges and depreciation	6,695,883
Dividends paid on preferred stock	3,103,219
Balance	3,592,664
Earned per share of preferred stock	12.33

Dividends paid 15th February, May, August and November.

A. F. HOCKENBEAMER,
Vice-President and Treasurer.

San Francisco, California.

AMERICAN WATER WORKS & ELECTRIC COMPANY, INC.

The regular quarterly dividend of 1¾% on the 7% Cumulative First Preferred Stock of this Company for the quarter ending January 27, 1924, has been declared payable February 15, 1924, to stockholders of record at the close of business on February 1, 1924.

A dividend of one per cent has been declared on the 6% Participating Preferred Stock of the Company payable February 15, 1924, to stockholders of record at the close of business on February 1, 1924.

W. K. DUNBAR, Secretary.

Said dividends when received will be distributed to voting trust certificate holders in accordance with the above dates.

BANKERS TRUST COMPANY,
Agent for the Voting Trustees.

By H. B. Watt, Assistant Secretary.
New York, January 16, 1924.

REPUBLIC IRON & STEEL COMPANY

PREFERRED DIVIDEND NO. 78

At a meeting of the Board of Directors of the Republic Iron & Steel Company, the regular quarterly dividend of 1¾% on Preferred Stock and an extra dividend of 1% on the Preferred Stock, on account of deferred dividends, were declared payable April 1st, 1924, to stockholders of record March 10th, 1924.

RICHARD JONES, JR., Secretary.

THE WEST PENN COMPANY

New York, N. Y., January 16, 1924.

The Board of Directors of The West Penn Company has declared quarterly dividend No. 48 of one and one half (1½%) per cent for the quarter ended December 31, 1923, payable upon the 6% Cumulative Preferred Capital Stock of the Company on February 15, 1924, to stockholders of record at the close of business on February 1, 1924.

C. C. McBRIDE, Treasurer.

THE WEST PENN COMPANY

New York, N. Y., January 16, 1924.

The Board of Directors of The West Penn Company has declared quarterly dividend No. 2 of one and three-fourths (1¾%) per cent for the quarter ending February 15, 1924, payable upon the 7% Cumulative Preferred Stock of the Company on February 15, 1924, to stockholders of record at the close of business on February 1, 1924.

C. C. McBRIDE, Treasurer.

THE WEST PENN COMPANY

New York, N. Y., January 16, 1924.

The Board of Directors of The West Penn Company has declared quarterly dividend No. 5 of One Dollar ($1.00) per share, payable upon the common capital stock of the Company on March 31, 1924, to stockholders of record at the close of business on March 15, 1924.

C. C. McBRIDE, Treasurer.

CHILE COPPER COMPANY

The Directors have this day declared a distribution of 62½ cents per share on the Capital stock of the Company, payable March 29, 1924, to stockholders of record at the close of business on March 1, 1924.

C. W. WELCH, Sec'y.

New York, January 22, 1924.

THE BORDEN COMPANY

Common Stock Dividend No. 57.

The regular semi-annual dividend of 4% has been declared on the common stock of this Company, payable February 15, 1924, to stockholders of record February 1st. Books do not close. Checks mailed.

SHEPARD RARESHIDE, Treasurer.

stock were quoted only at $15 on the same board.

Consider also the natural improvement in the company's credit, commercially, if its stock over a period of months gradually advances from $15 to $75. The stock market is a barometer, and it is recognized that it forecasts or discounts improvement in general economic as well as in particular corporation conditions. But not every price improvement can be interpreted as a functioning of the barometer. While this is realized, the broad fact is the credit of a concern whose stock has enhanced in market value can much more easily be stretched than the credit of a company whose stock may have been decreasing steadily in market value.

Having made his connections, the boll-weevil "broker" proceeds to tie up in an escrow or otherwise every share of stock owned, or in any way controllable, by those for whom he has undertaken this commission. He may also require them to put up a fund, or he may make them a constructive loan on the stock deposited with him. During this period there will be little, if anything, said about the company's affairs. In fact, it is desirable to cause a little nervousness among the stockholders, for usually the first step of the market maker is to sell belligerently, in order to force down the price of the stock to the lowest point that it can be pressed. He will sell, sell, sell—until he finds a level at which buying will come into the market. Then he will cover his own position just rapidly enough to encourage the buying that is being attracted into the stock. This, of course, sends the price up again, and the profit made by the broker in selling short can be used to buy additional stock and carry the price well above the point at which he inaugurated his selling campaign.

Now the propaganda begins to appear. It is customary for these manipulators to have a "press agent," some one with a personal acquaintance among those financial writers who are not too scrupulous about the sources of their information.

The "press agent" circulates among these acquaintances, usually giving a confidential tip before the move is under way. The fact that his tip makes good encourages confidence in him; besides which, he has "other ways" of extending or increasing this confidence. Here and there, on the tickers, in the newspapers, in market letters, on the daily tipping sheets, appear references to the "improved market position" of the Bunkhokum stock with vague suggestions that new interests are entering the company. The irony of this statement can best be appreciated later on by the same "new interests": the involuntary investors who were led to take flyers in the stock.

As the manipulation of the stock goes on, the broker endeavors to conduct his operations so that it will appear that in a general way the issue is following the trend of the market; but he carries the stock forward at a greater rate than the general list.

Markets of this sort, however, are always erratic. There is a constant temptation for the trader who considers himself "wise" to take his profits, and it is likewise the constant endeavor of the

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by investment houses of the highest standing. They will be sent free on request, direct from the issuing house. Ask for them by number.

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

THE PARTIAL PAYMENT
method of purchasing good securities in odd lots and full lots on convenient terms is explained in a free booklet issued by an old established New York Stock Exchange House. (224)

ODD LOTS
A well known New York Stock Exchange firm has ready for free distribution a booklet which explains the many advantages that trading in odd lots offers to both small and large investors. (225)

INVESTMENT GUIDE
Issued by the oldest first mortgage house in Chicago. It explains how to invest savings at the highest interest rate consistent with safety. (256)

THE OKMULGEE BUILDING & LOAN ASSN.
A booklet describing a real estate security which embraces safety, a dependable income—a tax free investment—State supervision — and yielding 9%. (257)

WHY THE SOUTH OFFERS INVESTMENT OPPORTUNITIES
This pamphlet explains briefly and clearly why it is that the South of today is one of the most attractive sections of the United States in which to invest and why it is that Southern investments yield an average of 1% more interest, with equal safety. A distinct opportunity for investors is described in an understandable manner. (264)

STOCK RECORD
Send for this interesting free booklet with tables arranged to show Dates and Amounts of Last Dividends paid; High and Low Prices for 1920, 1921, 1922 and 1923; Closing Prices for 1923 on All Stocks listed on the New York Stock Exchange. Ask for (273).

A QUESTION ANSWERED
An extremely interesting illustrated booklet explaining how a stock exchange firm handles out of town business. It shows how orders are treated from the time the letter arrives to the final placing of the certificates purchased. (278)

USE OF OPTIONS
The exceptional profit possibilities in Stock Options and their uses to supplement margin and for protection against losses in the Stock Market fully explained in a free circular. (284)

PROFIT SHARING BONDS
A description of a security which not only embodies the safety of bonds, but the profit participation of high grade common stocks, is outlined in a short, plainly written circular, which will be sent free on request. (285).

THE BACHE REVIEW
By reading this timely booklet but ten minutes a week you will be able to judge the market more accurately. Sent for 3 months without charge. (290)

manipulator to prevent this without discouraging the entry of others into the market. So at the least suggestion that outside selling is beginning to overbalance outside buying, our friend pulls the props from under his market, throws in a batch of selling orders through several brokers—he is constantly changing his brokers and seldom executes his own orders except as a camouflage—and by breaking his own market catches all of the stop orders that are within reasonable reaching distance. Having lightened his own load, because of the stock he has sold at higher prices, he is able quickly to check the hand-made break by buying back his stock at a profit of several points.

Somehow or other, the avenues of publicity which he has been using, are in hearty accord the next day explaining to the public that the sudden break in Bunkhokum was due to the liquidating of a block of stock belonging to an estate or to the "fact" that a large borrower was unexpectedly called upon to reduce the principal of the loan or put up additional collateral, whereupon he had sold a number of stocks, among which was this particular block.

All bunk. Mr. Broker-without-a-customer has merely succeeded in raising himself another notch or two by his own boot straps.

This process, which I trust I have described sufficiently for the layman to understand, goes on until the expiration approaches of the term for which the broker has been engaged. Some of these brokers are content, then, to abandon their manipulative tactics, return the stock originally escrowed, and receive such fee as has been agreed upon. Usually this fee consists of a regular brokers' commission on each share of stock bought and sold by the broker during the campaign (he used his own judgment, remember, as to when to buy or sell), and a fat interest rate upon the "loan" made in the beginning of the campaign on the escrowed stock.

But some of the brokers are even greedier. Believing that some of the insiders may undertake to sell part of their stock as soon as the escrow expires, and that professional traders will readily scent his withdrawal of support, the market manipulator will take a short position for his own account around the very highest levels to which he succeeds in boosting the stock. Then, when the inevitable break comes, he rides down with it, and not infrequently is able to double his gains. As for the damage to the company's commercial credit—that is another side of the picture.

Legitimate? Yes; so the broker of this type will tell you. What he means is, it is legal. It is his way of making a living, just as it is the way of the boll weevil to make his living by eating out the heart of the cotton boll from the very time the squares of the boll begin to form, until it opens, and it is found that instead of a snowy, fleecy mass of white, there is only the musty, soggy bed with which this destructive pest surrounds himself.

Editor's Note: In his next article, Mr. Kane will show how the commercial "loan sharks" operate.